

Report of the Coordinating Group Virtual Meeting

Monday, 30 May 2016

17.00-18:45 CET

Purpose

This report summarizes the discussions held at the virtual meeting of the Coordinating Group. The report is organized based on the agenda items as follows:

- Q1 2016 Risk Register
- Committee meetings in June – draft agendas
- Revised Coordinating Group workplan for approval
- Committees’ engagement on CCM matters, as per TGC recommendation
- Any other business – several topics

Introduction

1. The Coordinating Group (“CG”) is composed of the Chairs and Vice-Chairs of the Board and its standing committees. The CG virtual meeting of 30 May 2016 was the thirteenth in a series of regular CG meetings to take place following the appointment of the current Board Chair and Vice-Chair. The meeting focused on several key topics fundamental to the efficient and effective functioning of the CG in fulfilling its role under its Terms of Reference (“TORs”), with a particular emphasis on risk oversight, coordination of committee agendas, and CCM oversight matters. Participants are listed in Annex 1.

Agenda item 1: Q1 2016 Risk Register

2. The Chair of the Board opened the discussion, asking the Chief Risk Officer (CRO) to introduce the Risk Register, the needs of his department, and to outline expectations from the standing committees vis-à-vis risk oversight.

3. During the last few months, the key risks and risk mitigation activities evolve around replenishment and reputation. The Risk Register, according to the CRO, includes the appropriate risk mitigation measures and they are well balanced between the country level and the Secretariat. The organization is doing a lot to mitigate various risks (differentiation, strengthening of the 2nd line of defense, project management initiative). Initiatives represent our priorities. We have to be careful though not to add many more mitigation measures but rather keep focused on the key ones. Going forward, we need to focus on the action plan for implementing the new strategy, to make sure that it addresses the key risks the organization is facing today.

4. The CRO outlined the benefits of the Enterprise Risk Committee (ERC) that encourage country teams to take bolder decisions about risk mitigation measures. ERC is co-chaired by the Chief of Staff and the CRO, and includes all MEC members (ERC discussions take place during MEC meetings, in order not to multiply meetings). Additional staff from Finance, Sourcing, and Project Management Team also attend ERC meetings. The ERC discusses key risks across the organization, relevant mitigation measures, and comprehensive assurance mechanisms. There is also an Organizational Risk Committee (ORC) which reviews high impact and high risk grants and which has already reviewed 5 grants. Themes emerging from these ORC reviews are then escalated to the ERC. For example, lack of human resources is a root cause that was identified in some of the countries reviewed.
5. According to the CRO, the role of the standing committees is to regularly review the Risk Registers and to track the progress with the implementation of the Prioritized Action Plan (PAP) that is still under development and will be shared through the committees on 6 June. The document will include milestones and timelines for initiatives that will help us to deliver against our objectives (in countries and within Secretariat). The CG should constantly enquire about the progress made both at the Secretariat as well as with partners at country level.
6. The Chair of the Board suggested identifying topics to be reviewed by each committee. The CG's role is to ensure that committees review all relevant topics properly, and to discuss cross-cutting items jointly.
7. The Vice-Chair of the Board enquired whether there is a trigger in the system about delayed financial reporting. The CRO responded that interim financial statements and annual financial statements are tracked via Progress Update/Disbursement Request and Annual Financial Reporting processes.
8. The Vice-Chair of the EGC acknowledged that focus on systemic risks and challenges is correct but cannot produce immediate results, and needs to be country-specific in the long-run. He enquired about the collaboration across departments in risk mitigation, citing the example brought up by the recent OIG reports that there is a weak link between sourcing specialists involved in Pooled Procurement Mechanism and the health product specialists working in Grant Management. The CRO responded that the collaboration issue is a known matter and is getting the necessary attention from the management.
9. The Chair of the Board asked the OBA to ensure that as soon as PAP is released, all items included in the PAP are also discussed by the committees. The Head of the OBA responded that it is likely most discussion will fall under the AFC since the PAP also addresses matters highlighted in the OIG opinion on 2015.
10. The Chair of the SC enquired about progress with supply chain optimization and emphasized the cooperation and commitment of all partners at country level for this important endeavor. The CRO responded that Ghana and Malawi are countries to be considered in Wave 2 of this initiative. Given the complexity of the matter, the need of considerable financial resources to be pooled from different partners/donors, the supply chain optimization cannot tackle more than one or two countries per year. He also said that CG's support for this initiative would be much appreciated.

Agenda Item 2: Committee meetings in June – draft agendas

11. The Head of the OBA mentioned an induction session for new committee members on KPIs, which will help bringing everyone on the same page around the KPI framework. This could also help to shorten the KPI session on the committee agenda.
12. The Vice-Chair of the AFC enquired about a discussion on a policy on prioritization of resource allocation within the portfolio optimization workstream, in light of the large unfunded gaps of the UQD. This should be discussed by the SC in June meeting, as postponing the discussion to October might be too late. The Chair of the Board asked the Head of the OBA to ensure that this matter is included in the committee agenda.

13. The Chair of the SC enquired about a possibility to organize joint sessions on Thursday morning, but the Head of the OBA clarified that the current split of joint discussions over both meeting days is due to the availability of MEC members and the sequencing of discussions on allocation and catalytic funding.

14. The Senior Specialist of the OBA drew CG members' attention to the large number of items included in committee agendas and asked for committee leadership views as to some items (especially updates) could be covered in any other way than during in-person meetings.

15. The Head of the OBA also asked for CG members' feedback on the proposed outline for committee induction session scheduled on 13 June.

Agenda Item 3: Revised CG workplan for approval

16. CG members approved the revised CG workplan without further discussion (the revised CG workplan is enclosed to these minutes).

Agenda Item 4: Committees' engagement on CCM matters

17. The Senior Specialist of the OBA provided a brief overview of the matter. Generally, oversight of CCMs sits with the SC, but the TGC felt the EGC also had to play a role in the governance and ethics matters related to the CCMs, since they are key governance mechanisms at country level that determine implementation arrangements for the Global Fund grants. The reason why this matter is brought to the CG attention is because we need to clarify the best mechanism for CCM oversight across standing committees.

18. The Vice-Chair of the EGC pointed out that while the TGC recommended some involvement on behalf of the EGC, the TOR of the committee do not list any responsibility with regard to CCMs. If the EGC is to take on this role, its TOR have to be revised accordingly.

19. The Chair of the Board pointed out to the OIG audit of CCMs where quite some gaps and inefficiencies were identified. Committees have to look into these matters. As to the TORs, the committees can deal with matters as long as their TORs do not forbid them to do so.

20. The Associate Specialist of the OBA clarified that from the point of view of ethics, and the role that the Ethics Officer (EO) is fulfilling and its reporting to the Board through the EGC on the state of ethics and integrity matters across the GF, principle-related matters of the CCMs would be included in Ethics Officer work. The EO also reviews conflict of interest cases (CCMs and governance officials), as well as compliance with codes of conduct, therefore these matters can be covered by the EO as well and reported to the EGC.

21. The Chair of the Board suggested that the EGC takes up this matter, as it is not just an ethics matter but also a governance matter, hence both aspects fit into the mandate of the EGC. He asked Legal to review the TOR of the EGC and recommend amendments if necessary. The Vice-Chair of the EGC promised to discuss the matter with the committee in June and come up with a proposal.

22. The Senior Specialist of the OBA added that when discussing the matter internally within the Secretariat, the following delineation of roles appeared: ethics and governance matters would be discussed by the EGC and everything related to country level and implementation of policies would remain with the SC.

23. The Vice-Chair of the AFC referred to the experience with Nigeria and Papua New Guinea where CCMs witnessed problems with grant implementation but did not have the power to take required actions, and emphasized that the governance issues are clearly visible here.

24. The Head of the OBA suggested advertising whistle-blowing provisions among CCM members, so they can report issues earlier to the OIG while having their anonymity protected. The Chair of the Board mentioned that not only it is important to advertise whistle-blowing possibilities on a continuous basis, but also to

demonstrate that we are going after the matter that was brought to the OIG's attention and that we are taking the complaints seriously.

Agenda Item 5: Any other business

25. The Chair of the Board initiated a discussion about observer attendance of June committee meetings. The Vice-Chair of the EGC suggested focusing on the key question as to whether the choice of the means of participation (in-person, video, phone) should be left with Board Members or should the CG give a guidance. Bearing in mind potential implications for the effectiveness of committee operations, it might be wiser to start exploring electronic means of participation and then, if need be, open up for in-person attendance. The Chair of the Board noted that we cannot prevent anyone from traveling to attend committee meetings, but that we should appeal to constituencies to use phone and video means to get the information. Also, we already have joint committee meetings which enable information sharing across committees and constituencies that are not represented in some of the committees. The Vice-Chair of the Board, however, mentioned that such an appeal could be seen as an effort towards reducing transparency. The Head of the OBA said that several constituencies have approached the OBA regarding observer attendance and have enquired about possibilities to delegate their representatives to observe committees where they are not represented.

26. The Vice-Chair of the EGC raised a concern about the difficulty to control the number and identity of people hearing committee deliberations via phone. The OBA confirmed that it is not possible to control who joins the livestreaming on the phone. However, for videoconference, each participant receives a link to join, and it is possible to know who has joined. The Vice-Chair of the AFC suggested observers signing confidentiality agreements.

27. The Chair of the Board suggested trusting the Board members and constituencies on this, to send appropriate guidelines, to try this process in June and October committee meetings, and to evaluate the lessons learned. Should something need to be changed, it can be discussed at the Board meeting in November. Feedback on observer attendance will also be included in the assessment after committee meetings.

28. The Chair of the AFC enquired whether observers are allowed in confidential sessions, to what the response from the OBA was that there will be no observers at the confidential/executive sessions.

29. The Chair of the Board informed the CG members about the proposal received from one implementer country to host the May 2017 Board meeting, and asked for CG members' ideas. The Head of the OBA reminded the CG members about the amended Board Operating Procedures, which only require that one of the two minimum meetings per year has to take place in Geneva, Switzerland, thus providing for the possibility of meeting in both, donor and implementer countries.

30. The OBA also briefed the CG members about the timelines of the EDP on KPI Framework, and draft Board meeting report which will unfortunately not be available before the committee meetings due to the time it takes to review the draft for accuracy.

31. The Board Leadership took the opportunity to share with the CG members their reflections about the recent committee member selection process. The Vice-Chair of the Board regrets that some constituencies expressed discontent with membership selection results, despite the fact that all procedures in the selection process were followed. In order to prevent similar situations of discontent occurring in the future, the EGC must have a look into this process, on the rotation, constituencies must be represented, expectations need to be laid down in procedures (gender, geographical spread, etc.). Perhaps, we need a few more layers of procedures for this process. The Chair of the Board said that we will always face the same problem, namely that the Board decides to select committee members based on their skills, but when a constituency wants to be on a certain committee then the skills are sadly "forgotten". The Chair of the EGC promised to review the Operating Procedures and see whether some more specificity can be added. He said that in the future we need that one committee makes recommendation based on technical merits and then another entity (Board Leadership) considers principles like gender, geographical spread, rotation, etc. The most fundamental thing

is to improve the pool of reputable people to be chosen and that requires a mechanism that requests constituencies to nominate a sufficient number of people for each committee.

Action Items

01. OBA to ensure that portfolio optimization is discussed during committee meeting in June.
02. EGC to discuss its role in relation to CCM oversight and come up with a proposal.
03. EGC to review Operating Procedures to fine-tune committee membership selection processes.
04. The next CG in-person meeting will take place on 13 June 2016.

Annex 1: Participation

Board Leadership

Norbert Hauser (Board Chair)
Aida Kurtovic (Board Vice-Chair)

Committee Leadership

Greg Ferrante (AFC Chair)
Beatrijs Stickers (AFC Vice-Chair)
Mohamed Salah Ben Ammar (EGC Chair)
Jan Paehler (EGC Vice-Chair)
Dorothee Kinde-Gazard (SC Chair)

Secretariat and Support

Rahul Singhal (Chief Risk Officer)
Carole Presern (Head, Office of Board Affairs)
Raegan Boler (Senior Specialist, Office of Board Affairs)
Rachel Orr (Associate Specialist, Office of Board Affairs)
Nella Foley (Support Officer, Office of Board Affairs)
Damir Lalicic (Board Vice-Chair Advisor)

Apologies

Julia Martin (SC Vice-Chair)