

38th Board Meeting

2018 Target for Key Performance Indicator 12b – Affordable health technologies

GF/B38/ER13A

Board Decision

Purpose of the paper: To approve the 2018 performance target for Key Performance Indicator 12b – Affordable health technologies.

This document is part of an internal deliberative process of the Global Fund and, as such, it cannot be made public until after the Board Meeting.

Decision

1. Based on the rationale described below and in the accompanying PowerPoint presentation (GF/B38/ER13B), the Audit and Finance Committee recommends the following decision point to the Board.

GF/B38/EDP18: 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 2018 performance target for Key Performance Indicator 12b as presented in GF/B38/ER13A.***

This decision has no budgetary implications.

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 2.

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.

3. When the 2018 KPI 12b Target, of USD 50m, was approved by the Board during the 38th Board Meeting (GF/B38/DP08)³, the Board noted the review of the 2018 target planned in Q1 2018 based on improved demand visibility.

Questions this paper addresses

4. What is the revised 2018 target recommendation for KPI 12b?

Conclusions

5. A revised 2018 KPI 12b Target of USD 122m is recommended by the Audit and Finance Committee (the "AFC") for Board approval. The KPI 12b Target will continue to be set annually based on best available demand and price projections.

Input Sought

6. Decision Point: GF/B38/EDP18: Performance Target for Key Performance Indicator 12b: Availability of affordable health technologies: Affordability.

Input Received

7. The recommended revised 2018 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/B38/ER13B) to address requests for increased information and clarity.

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

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

³ <https://www.theglobalfund.org/Board-decisions/B38-DP08/>

What is the need or opportunity?

8. This paper proposes the revised 2018 KPI 12b Target. The KPI 12b Target will continue to be set annually based on best available demand and price projections.

9. The AFC and 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.

What do we propose to do and why?

10. The proposed KPI 12b Target for 2018 is outlined below for Board approval. Further detail regarding methodology and assumptions is included in the accompanying PowerPoint presentation (GF/B38/ER13B).

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 122m in 2018 ⁴

11. The key driver behind the proposed increase from a target of USD 50m to a target of USD 122m is improved demand visibility, and a correction related to the timing of the 2018 Anti-retroviral medicines (“ARV”) tender implementation. The USD 50m target that was proposed to the Board in November 2017 assumed that implementation of the ARV tender cycle would start at the beginning of 2018. In fact, the ARV tender taking place in early 2018 will begin implementation at mid-year. Therefore, actual prices from ARV orders in the first half of 2018 should be compared to the higher baseline price from the previous cycle (weighted average price July 2013 to June 2014), while orders in the second half of 2018 will be compared to the most recent tender cycle’s baseline price (weighted average price January 2015 to June 2018). The approach to calculation of baseline prices is now subject to a formal internal review and approval process and is strictly aligned to the “Guidelines for sourcing and procurement Savings Reporting”, included in the Annex of the accompanying PowerPoint presentation (GF/B38/ER13B).

What do we need to do next to progress?

12. Board approval of the revised 2018 KPI 12b Target will allow the Secretariat to continue to provide annual reporting on the indicator.

Recommendation

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

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public until after the Board Meeting

⁴ Target set annually based on demand and price projections.

Annexes

The following items can be found in Annex:

- Annex 1: Summary of previous Board & Committee Input
- Annex 2: Relevant Past Board Decisions

Annex 1 – Summary of Board & Committee Input

AFC o6: Audit and Finance Committee Member input on KPI 12b included:

1. Further clarification was sought on the rationale for selecting as baseline the weighted average price from the previous contract period, particularly in relation to the ARV baseline price. The Secretariat clarified that this practice reflects the Global Fund’s move away from spot-tenders in favour of long-term agreements and better reflects the longer-term view of market shaping efforts.
2. The AFC sought to further understand the Secretariat’s assumptions related to TLD (the new dolutegravir-containing first-line ART regimen) pricing and roll-out in the portfolio. The Secretariat confirmed that it does not anticipate any major financing or procurement barriers that limit swift and effective transition. It is working closely with countries and partners to encourage country-owned transition plans that aid transition to the safer, better tolerated TLD regimens.

B38: Board Member input on KPI 12b included:

1. Board members noted the potential for KPI 12b to incentivize price reductions of products/interventions at the expense of availability or quality. Therefore, results for KPI 12b (Affordability) should be considered along with results for KPI 12a (Availability), in order to be most useful.
2. Two constituencies noted the need for freight & logistics costs to be reflected in the KPI 12b Target methodology. *[This has been addressed in the accompanying PowerPoint presentation GF/B38/ER13B]*
3. The Secretariat was requested to revisit the demand forecast assumptions underpinning the KPI 12b Target for 2018 and report to the AFC in March 2018.

Annex 2 – Relevant Past Board Decisions

Relevant past Decision Point	Summary and Impact
GF/AFCo6/DPO1: Performance Target for Key Performance Indicator 12b: Availability of affordable health technologies: Affordability (March 2018)	The AFC agreed to recommend the revised 2018 performance target for KPI 12b to the Board for approval.
GF/B38/DPO8: Targets for Key Performance Indicators 3, 6a, 6b, 6e and 12b⁶ (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.

⁵ GF-B38-Chair’s Summary Notes ([link](#))

⁶ <http://www.theglobalfund.org/Board-Decisions/B38-DPO8/>

Relevant past Decision Point	Summary and Impact
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 Framework⁷ (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.
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) ⁸	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

⁷ <http://www.theglobalfund.org/Board-Decisions/B36-EDP09/>

⁸ <http://www.theglobalfund.org/Board-Decisions/B36-DP09/>

Relevant past Decision Point	Summary and Impact
	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) ⁹	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) ¹⁰	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 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) ¹¹	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) ¹²	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) ¹³	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/B35-EDP05/>

¹⁰ <http://www.theglobalfund.org/Board-Decisions/B34-EDP04/>

¹¹ <http://www.theglobalfund.org/Board-Decisions/B33-DP07/>

¹² <http://www.theglobalfund.org/Board-Decisions/B32-DP10/>

¹³ <http://www.theglobalfund.org/Board-Decisions/B30-DP07/>