

# Electronic Report to the Board

## Revisions to the Honorarium Framework

GF/B48/ER01

### **Board Decision**

Purpose of the Paper: This paper presents to the Board for approval the EGC recommendation regarding certain revisions to the Honorarium Framework of the Global Fund pertaining to the Committee Chairs and Vice-Chairs and to the Independent Evaluation Panel.

*Document Classification: Internal.*

*Document Circulation: Board Members, Alternate Board Members, Constituency Focal Points and Committee Members.*

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## I. Decision

1. Based on the information below, the following electronic decision point is recommended to the Board:

**Decision Point: Revisions to the Honorarium Framework of the Global Fund**

**Based on the recommendation of the Ethics and Governance Committee, the Board:**

1. Approves the revisions to the Honorarium Framework of the Global Fund set out in Annex 4 to GF/B48/ER01; and,
2. Notes that the revisions regarding the leadership of the Board's Standing Committees ("Committee Leaderships") shall enter into force upon the approval of this decision point, and that Committee Leaderships shall be eligible to receive, from May 2022, the honoraria provided for in the Honorarium Framework as revised pursuant to this decision; and,
3. Notes that the revisions regarding the Independent Evaluation Panel shall enter into force on 1 January 2023.

***Budgetary implications to be included in OPEX for the IEP revisions, and to be added in OPEX, in an amount up to USD120,000, for the Committee Leaderships revisions."***

## II. Background

### Context

The Honorarium Framework was approved by the Board in March 2018 and is due to be reviewed every three years by the EGC. Honoraria paid by the Global Fund is intended to be a reasonable, nominal sum paid in recognition of contribution and service to the organization by certain members of its governance and advisory bodies. Governance Officials that currently receive honoraria are limited to the Board Chair and Vice-Chair and independent committee members.

The EGC has recognized the significant commitment, responsibilities and time dedicated to serve as Committee Chairs and Vice-Chairs, and their service in their personal non-voting capacities, similar to the Board Leadership roles. In this context, a proposal is presented to include Committee Leadership positions among governance roles eligible to receive an honorarium.

A decision point to approve the proposed revisions to the Honorarium Framework is presented in page 1 of this paper, for Board approval.

### Questions this paper addresses

- A. Why should Committee Chairs and Vice-Chairs be considered as eligible roles to receive an honorarium?

- B. What is the recommended option?
- C. What are the financial considerations and risks associated with the proposal, mitigating factors, and accountability mechanisms?

## Conclusions

- A. There is an opportunity to further recognize the contribution of Committee Chairs and Vice-Chairs to the Global Fund with an honorarium, as a token, in line with current practice for Board Leadership roles. This may also contribute to attracting or enabling additional candidates with the required set of skills and seniority to serve in these roles.
- B. Revisions are proposed to the Honorarium Framework to include Committee Leadership roles among those eligible to receive an honorarium, with a nominal annual amount of USD 20,000. Housekeeping edits to recognize the establishment of the Independent Evaluation Panel (IEP) replacing the Technical Evaluation Reference Group (TERG) are also included.
- C. Conflict of interest and accountability provisions are built into the current Honorarium Framework. On equity, the amounts offered to the different governance officials take into consideration level of responsibility and time dedicated to Global Fund activities. Budget implications would be overseen by the Audit and Finance Committee via the Operating Expenditure budget per usual procedures.

## Input Sought

- **The Board** is requested to approve the decision point set out in page 1 above.

## Input Received

- **EGC** meetings in July and October 2021 (past term) and July and October 2022 (current term). The EGC has previously recognized the significant contributions by Committee Chairs and Vice-Chairs to the Global Fund, and requested a proposal for their inclusion among the eligible roles for honoraria.
- In October 2022, the EGC highlighted the requirement that eligible individuals decline the honorarium in the circumstances provided for in the Framework. Furthermore, some EGC members strongly encouraged that Committee leaders, who are otherwise remunerated in the context of their day-to-day employment, should consider declining the honorarium on a voluntary basis, even in the absence of an explicit employment-related prohibition.
- **Constituency inputs** ahead of EGC meetings listed above, and Board Meeting in November 2021 and pre-board meeting discussion.
- **Benchmarking** among comparable global health organizations and close partners
- Feedback from a number of former Committee Chairs and Vice-Chairs regarding commitment involved to serve in these roles.

# Report

## Why should Committee Chairs and Vice-Chairs be considered as eligible roles to receive an honorarium?

1. The Honorarium Framework was approved by the Board in March 2018, and is due to undergo routine review every three years by the EGC. The previous EGC commenced a review of the Framework in 2021, followed by discussion at the July and October 2022 meetings of the current EGC term.
2. The Global Fund currently provides honoraria to certain members of its governance and advisory bodies, based on eligibility criteria defined in the Honorarium Framework in line with relevant Charters and Terms of Reference, namely:
  - i. **Governance bodies:** Board Chair and Vice-Chair; independent committee members.
  - ii. **Advisory bodies:** leadership positions and serving members of the Technical Review Panel; appointed voting members, including the Chair and Vice Chair, of the Technical Evaluation Reference Group now being replaced by the Independent Evaluation Panel (e.g., Chair and Members of the IEP appointed by the Strategy Committee will receive an honoraria).
3. An honorarium is intended to be a reasonable, nominal sum provided in recognition of contribution and service to the organization. An honorarium is not a salary replacement or supplement, nor awarded based on performance. The Honorarium Framework intends to strike a balance between demonstrating appreciation, and general expectations of voluntary service in the non-profit sector. For governance officials, honoraria amounts are subject to routine review by the EGC, within broader reviews of selection processes for eligible roles, and subject to available OPEX budget, under the oversight of the Audit and Finance Committee (AFC). No changes are proposed to existing honoraria amounts for the Board Leadership or independent committee members at this juncture.
4. In line with the routine review requirement, there was an opportunity for the EGC to advise the Board on revisions to the Framework. Following previous EGC discussions in 2021 this proposal was handed over to the current EGC as a priority matter to consider moving forward. It was discussed most recently in July and October 2022 (current term) when the Committee once again recognized the significant contributions and time dedicated to the Global Fund by Committee Leaders, and voiced strong support for their inclusion as eligible roles to receive an honorarium<sup>1</sup>. The EGC noted that since there are not similar or direct benchmarking examples for providing

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<sup>1</sup> In 2018, and based on a benchmark exercise conducted against similar organizations, it was considered that suitable individuals can be identified to serve as Committee Leadership committing about 25%-35 % of their time, on a voluntary basis. As such, at that time eligibility was limited to the Board Leadership and independent committee members.

an honorarium to Committee Leaders and amounts awarded, the Global Fund has to make a principle-based decision about expanding eligibility.

## **What revisions to the Honorarium Framework are proposed and why?**

5. **Proposal:** to include Chairs and Vice Chairs of the three Standing Committees of the Board among the eligible roles to receive an honorarium, with a nominal annual amount of USD 20,000 for each role.
6. **Rationale:** Committee Leadership eligibility for honoraria is proposed on the basis of:
  - i. the significant commitment, responsibilities and time dedicated to serve as Committee Chairs and Vice-Chairs;
  - ii. the criticality of the leadership roles to the effective functioning of Global Fund Standing Committees, and thus the governance structures overall;
  - iii. their service in their personal non-voting capacities, similar to the Board Leadership roles.
7. Including Committee Leadership as eligible roles to receive an honorarium is mainly a principle-based decision. Similar to the Board Chair and Vice-Chair, the Committee Leadership roles require a significant level of personal commitment, engagement, time, and level of responsibility. The proposed amount for Committee Chairs and Vice-Chairs falls between annual amounts for independent committee members and the Vice-Chair of the Board. While not being a salary replacement, the availability of an honorarium may also attract a broader pool of appropriately skilled and senior candidates for these leadership roles requiring specific competencies, particularly those who are not in full employment or would undergo income loss to be able to serve in these roles.<sup>2</sup> The current proposal to expand eligibility to include Committee Chairs and Vice-Chairs takes into consideration feedback from several former and current Committee Leaders regarding the high time commitment involved, sometimes resulting in needing external “sponsoring” to be able to serve.
8. All those eligible to receive an honorarium have the option to decline it. At the 20<sup>th</sup> EGC Meeting in October 2022, the Committee highlighted the requirement that eligible individuals decline the honorarium in the circumstances provided for in the Framework (e.g., eligible individuals to opt out if required by the rules or regulations of their employer or national legislation). Furthermore, some EGC members strongly encouraged that Committee Leaders, who are otherwise remunerated for their service in the context of their day-to-day employment should consider declining the honorarium on a voluntary basis, even in the absence of an explicit employment-

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<sup>2</sup> Refer to Table 5 in the Operating Procedures of the Board and Committees: An in-depth understanding of and personal commitment to the Global Fund principles, core values, mission, operations and governance mechanisms (experience as a Board Member or Alternate Member an advantage), Good understanding of a Board’s roles, An in-depth understanding of and personal commitment to the Global Fund principles, core values and mission; An in-depth knowledge of the issues around HIV/AIDS, tuberculosis and malaria, international health and/or development, operations, governance or strategy.; Strong facilitation and chairing skills. Experience in chairing other, non-Global Fund related committees is an advantage. • Experience in being part of governing bodies with an ability and capacity to network effectively and broadly. • A facilitative and consultative approach— diplomatic with policy and strategic skills. • Strong leadership and management skills gained in a multicultural/multi-stakeholder environment. • High-level judgment in complex situations. • Acute analytical skills. • Access to the necessary communication infrastructure to allow the role to be carried out effectively (e.g. telephone, fax, e-mail and mobile phone). • Have the ability to work in written and spoken English (additional languages a great advantage)<sup>5</sup>

related prohibition. This expectation would be communicated to Committee Leaders as honorarium arrangements are explained and administered.

9. The proposed annual amount for Committee Chairs and Vice-Chairs is USD 20,000, for each role. This proposal is based on reasonable and appropriate annual amounts, considering the symbolic nature of an honorarium, the resource-constrained Global Fund context, balanced with the prestige of serving for the Global Fund, and ensuring equity between the amounts received by other eligible governance officials. Under the current Honorarium Framework the Board Chair, Board Vice-Chair and independent committee members receive the following annual amounts respectively: USD 40,000, USD 30,000, USD 13,500.
10. **Benchmarking.** Based on current information, among **comparable global health organizations** and close partners, Board<sup>3</sup> and Committee Chairs, Vice-Chairs and members at **Gavi**, the Vaccine Alliance do not receive honoraria. Similarly, Board and Committee Chairs, Vice-Chairs and Members at **Stop TB, Roll Back Malaria and Unitaid** do not receive honoraria. Desk-based research has shown that a number of organizations, including certain UN and International Financing Institutions, pay honoraria to Board and committee leaders and members. **Organizations with resident executive Boards** pay those members as full-time staff according to their salary standard. As such, they are not comparable to the Global Fund, and sums paid do not correspond to the core principle of an honorarium as a token of recognition for service.
11. **Broader governance considerations.** The proposal to introduce an honorarium for Committee Leadership does not remove the need to **continue to address challenges relating to level of effort**. Efforts should continue to reduce the burden associated with serving in leadership roles. There are several ongoing workstreams within the Governance Action Plan 2.0<sup>4</sup> that have potential to reduce the amount of time and effort dedicated by Committee Leadership to Global Fund activities (e.g., a continued focus on elevation and prioritization including focused governance work planning; work relating to culture, information flow and communication). These efforts may take some time to take effect.
12. **Housekeeping changes.** Housekeeping edits are included to recognize the establishment of the Independent Evaluation Panel, replacing the Technical Evaluation Reference Group.

#### Potential risks and proposed mitigations

13. During past EGC meetings the Committee requested and discussed an assessment of key risks associated with this proposal, with proposed mitigation actions, including conflict of interest and accountability, equity and financial considerations.

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<sup>3</sup> Current Gavi's Statutes note that Board members normally are not entitled to receive compensation for their services. However, the Board Chair's Terms of Reference note that, on the recommendation of the Governance Committee, the Board may consider the payment of an honorarium to the Chair of the Board.

<sup>4</sup> Refer to the EGC workplan for the 2022-2025 term and update on [GF/EGC20/08. GAP 2.0](#) workstreams are meant to be concluded toward the end of 2023.

14. Conflict of interest and accountability. With respect to risks relating to conflict of interest (COI), accountability, and performance of individuals receiving an honorarium, accountability mechanisms already exist within the Global Fund's core governance policies and documents, including the Policy on Ethics and Conflict of Interest, and the Governance Performance Assessment Framework, including a performance assessment approach for Committee Leadership roles.<sup>5</sup> In addition, the current Honorarium Framework has in-built mitigation provisions. Specifically, it:
- i. ensures **transparency** with respect to **eligibility** for, and **payment** of, honoraria for certain positions in the governance and advisory structures of the Global Fund;
  - ii. requires eligible individuals to **decline the honorarium** if required by the rules or regulations of their employer or national legislation;
  - iii. requires **disclosure** of receipt of honoraria in the annual Declaration of Interest form;
  - iv. defines appropriate **delegation of authority, accountability** and **oversight** mechanisms with respect to honoraria; and
  - v. instigates **routine review** of the honorarium arrangements in place for eligible members of Global Fund governance and advisory bodies.
15. Equity. While an honorarium is not supposed to be a salary replacement, the amounts offered to the different governance officials should take into consideration level of responsibility and time dedicated to Global Fund activities. The proposed amount for Committee Chairs and Vice-Chairs is placed between annual amounts for independent committee members and the Vice-Chair of the Board.
16. Budget implications. Providing an honorarium to Committee Leadership would have an impact on the annual Operating Expenses budget (OPEX) of *up to* USD 120,000, with lower impact should some leaders not take up the honorarium.

### **What other options were considered?**

17. The alternative option is to retain the status quo. Specifically:
- a. No changes to the current Honorarium Framework, maintaining Board Leadership and Independent Committee Members as the only governance roles eligible to receive an honorarium. Given that the EGC has recognized the significant commitment, responsibilities and time dedicated to serve as Committee Chairs and Vice-Chairs, and their service in their personal non-voting capacities, similar to the Board Leadership roles, this approach could be perceived as lacking equity in terms of recognition. There could also be a missed future

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<sup>5</sup> Relevant accountability mechanisms for Committee Leadership: (i) all eligible individuals under the Framework are 'Covered Individuals' under the Policy on Ethics and Conflict of Interest for Global Fund Institutions; (ii) Performance oversight; an honorarium is not intended to be a salary replacement. Underperformance should be addressed appropriately, regardless of whether an honorarium is available. Nevertheless, an honorarium should not be paid if the eligible individual is underperforming or failing to participate. There is Performance assessment and oversight mechanisms for both advisory bodies and the Board and its committees (e.g., Board Chair and Vice-Chair: 360-degree assessment). Performance assessment of the committees is executed in accordance with the framework approved by the Board.

opportunity to attract additional individuals willing and able to serve as Committee Leadership bringing the required skills and level of seniority.

- b. Case by case basis. Providing an honorarium for Committee Leadership on a case-by-case basis would likely introduce challenges around transparency and consistency. An honorarium is awarded in line with the principle of recognition, with eligible individuals having no obligation to accept it.

18. **Constituency feedback**. From previous constituency feedback, a large number of constituencies were supportive of including Committee Chairs and Vice-Chairs among the eligible roles to receive an honorarium. A number of observations and questions were raised to consider. Specifically:

- i. providing an honorarium on a case-by-case basis;
- ii. whether providing an honorarium may attract a larger number of qualified individuals to serve as Committee Chairs and Vice-Chairs;
- iii. benchmarking against other organizations;
- iv. other means to support Committee Leaders<sup>6</sup>;
- v. overall OPEX; and
- vi. broader considerations around reducing Committee Leadership workload

19. This report takes into consideration previous feedback and observations received from constituencies.

## **Recommendation**

20. The Board is requested to consider and approve the Decision Point presented on page 1.

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<sup>6</sup> Operational arrangements to support to Committee Chairs and Vice-Chairs have been put in place to complement the comprehensive administrative, coordination and advisory support already provided by the Governance Team.



# Annexes

The following items can be found in Annex:

- Annex 1: Summary of previous Committee Input
- Annex 2: Relevant Past Board Decisions
- Annex 3: Links to Relevant Past Documents & Reference Materials
- Annex 4: Proposed revisions to the Honorarium Framework

## Annex 1 – Summary of Committee Input

At its 20<sup>th</sup> meeting held in October 2022 the EGC discussion on revisions to the Honoraria Framework focused on the following areas:

The EGC re-confirmed its general support for the proposed revisions to the Honorarium Framework, recognizing the important contributions and commitment of Committee Leaders who serve in personal capacity. The Committee also raised the following points:

- Committee Leadership performance.** Importance of Committee Leaders performance assessment was highlighted, with a question about where this will be mentioned when proposing revisions to the Honorarium Framework for final Board approval.
- Declining an honorarium.** The Committee highlighted the requirement that eligible individuals decline the honorarium in the circumstances provided for in the Framework. Furthermore, some EGC members strongly encouraged that Committee Leaders who are otherwise remunerated for their service in the context of their day-to-day employment should consider declining the honorarium on a voluntary basis, even in the absence of an explicit employment-related prohibition.
- OPEX/benchmarking.** There was a comment raising awareness of the current pressure on OPEX and pending final Seventh Replenishment results, and how the Global Fund seems to be an outlier among its closest partners when providing an honorarium to some governance officials. Another comment noted the Global Fund sets a good example in relation to giving recognition of the significant voluntary service and contributions to the organization.

The Secretariat provided the following clarifications and commentary:

- Committee Leadership performance.** The Framework states an honorarium is not a salary replacement, hence it is not awarded on the basis of performance. In March 2022, the EGC approved a set of revisions to governance performance assessment framework including the assessment of Committee Leadership. Performance assessment of Committee Leadership will be conducted as a matter of good practice regardless of whether individuals receive an honorarium from the Global Fund. This will be mentioned in the body of paper to request final approval the Board.
- Declining an honorarium.** Awarding an honorarium on a case-by-case basis should also be avoided as it would interfere with the principles of transparency and consistency. All eligible individuals to receive an honorarium have the option to decline it. Eligible individuals would need to elect to decline the honorarium based on factors relevant to their own situation. Many employers

do not allow acceptance of honoraria, and the Honorarium Framework already states the obligation to opt out, should that be case.

## Annex 2 – Relevant Past Board Decisions

Relevant past Decision Point	Summary and Impact
GF/B38/EDP13 <sup>7</sup> : Approval of the Global Fund Honorarium Framework (March 2018)	<p>The Board approved the Honorarium Framework for certain governance officials and advisory roles. Under the Framework, for governance officials only the Board Chair and Vice-Chair and Independent Members of the Standing Committees are eligible to receive an honorarium.</p> <p>This decision superseded GF/B25/EDP18: Honorarium for the period April to December 2012 for the independent Chair of the AEC and for other independent members of the AEC (April 2012)</p>
GF/B40/EDP11 <sup>8</sup> : Operating Procedures of the Board and Committees (April 2019)	<p>The Board approved the Operating Procedures of the Board and Committees. The Annex to this document includes Table 5 – Key Competencies and Responsibilities of Committee Leadership.</p>

## Annex 3 – Relevant Past Documents & Reference Materials

- [Honorarium Framework of the Global Fund](#)
- [Operating Procedures of the Board and Committees: Table 5 – Key Competencies and Responsibilities of Committee Leadership](#)

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<sup>7</sup> <https://www.theglobalfund.org/board-decisions/b38-edp13/>

<sup>8</sup> <https://www.theglobalfund.org/board-decisions/b40-edp11/>