



Independent observer  
of the Global Fund

## Global Fund releases report on the 2017 OIG advisory review on governance

The OIG has released a [report on an advisory review](#) it completed in 2017 on governance at the Global Fund as executed by the Board and its committees.

The report has followed an unusual trajectory. It was issued to the Board on 28 April 2017 but is only now being made public. Unlike reports on the OIG's audits and investigations, reports on advisory reviews are not automatically published when finalized by the OIG.

The OIG periodically undertakes advisory reviews at the request of the Secretariat or the Board on aspects of the Global Fund's operations or governance. The determination as to whether reports on advisory reviews will be published is made by the OIG in consultation with the "sponsor" of the review (in this instance, the Board).

The Board asked the OIG to delay publishing its report on the advisory review until it could finalize a plan responding to the findings of the review. The response, the [Governance Action Plan](#), was completed in May 2018. Subsequently, Board Leadership asked the OIG to proceed to publish its report. It was released on 28 September 2018.

In our coverage of the Governance Action Plan in July 2018 ([see GFO article](#)), we provided limited information on the findings of the OIG's advisory review based on what the action plan said about the review. Now that the report on the review has been published, we are able to provide additional information.

In this article, we report on the highlights of the advisory review, with a particular focus on governance

oversight.

In 2014, the OIG published a report on [an earlier advisory review](#) of the Global Fund governance framework and the functionality of the Board. In the 2014 review, the OIG measured the effectiveness of the execution of six Board functions and identified three where, in its view, improvements were required — i.e. assessment of organizational performance; risk management; and governance oversight.

The follow-up advisory review completed in 2017 focused on whether changes made to governance systems and processes in these three areas have been adequate and effective. The 2017 review also identified recurring governance issues and their root causes.

The report on the advisory review summarized its findings in each of these three areas (see table).

Table: OIG summary statements on its findings

Area	Summary statement
Assessment of organizational performance	There have been improvements in the structures and processes around organizational performance. A clear link between the strategy implementation plan and the key performance indicators is expected. As the organization shifts from strategy development to implementation, it is expected to see improvements on assessment of organizational performance.
Risk management	Challenges remain in defining risk appetite and tolerance. Without clearly articulated risk appetite, it is difficult for the Board to hold the Secretariat accountable for taking considerations into account. The Fund's mandate and developing appropriate mitigation strategies.
Governance oversight	[There have been] significant improvements in Global Fund governance since 2014, including in committee structures and governance processes. However, challenges remain in providing effective oversight that can be attributed to inherent conflicts in the cultural aspects such as trust and accountability.

The OIG said that there have been significant improvements in many of the areas highlighted in the 2014 advisory review. The improvements include the following:

- An enhanced governance structure with revised committees including, for the first time, a standing committee dedicated to governance — i.e. the Ethics and Governance Committee (EGC);
- An effort to align the skill sets of committee members with the roles and mandate of their committees;
- The roll-out of standardized induction training for Board and committee members;
- A [Governance Performance Assessment Framework](#) covering the performance of the Board, its standing committees and its leadership; and
- Allocation of resources to the implementer group and an updated constituency funding policy as part of the efforts to strengthen the implementer voice.

Although there has been significant progress in addressing gaps related to the committee structure, Board and committee processes and the competencies Board and committee members, the OIG stated, these measures are insufficient to ensure Board effectiveness.

“A number of issues identified as far back as 2002 remain unresolved,” the OIG said. “These remaining gaps are much harder to address because they involve more than just process.”

The advisory review identified a number of unresolved issues in governance oversight, including in the

following topic areas:

- Board size, structure and composition;
- Conflicts-of-interest management;
- Focus on strategic matters;
- Information for decision-making
- Management of cross-cutting issues; and
- Coordination and oversight roles.

Below, we examine the findings of the advisory review in each of these areas and we indicate what actions have been and are being taken in response, based on the contents of the Governance Action Plan.

### Board size, structure and composition

The Global Fund partners with many other stakeholders to achieve its mission. The inclusive nature of the Fund is seen by many as an asset — for example, for fundraising and lobbying, the OIG said. However, it added, the inclusive nature presents challenges, such as inefficiencies in decision-making due to a heavy level of consultation and “the inherent difficulties in separating constituency interests from overall Global Fund interests.”

The OIG questioned whether having separate donor and implementer groups as part of the Board structure remains relevant. While it has its merits, the OIG said, especially in ensuring that the perspectives of each group are accommodated, it also reinforces the sense of having “two boards in one.” The OIG said that this makes it difficult for the Board to have a clear shared vision on the future direction of the Global Fund.

The OIG said that while the requirement that decisions on the Board must have two-thirds majority approval from each group is viewed as an effective check and balance, the threat of “minority block” could be used to ensure that decisions are steered towards narrow constituency interests rather than the overall interest of the Fund. The OIG made the same point in its 2014 advisory review.

The OIG noted that the Transitional Governance Committee (established in 2014 to implement an earlier governance plan) recommended that the Board discuss the current constituency group structures, including voting practices, during the mid-point discussions on the implementation of the current Global Fund Strategy 2017–2022 (anticipated to happen in 2019–2020). “This implies that any negative consequences of the current Board composition will continue to affect its effectiveness in the short to medium term,” the OIG said.

The OIG also said that there is a continuous need to evaluate the extent to which Board structure and composition allow the Global Fund to meet the imperative of attracting new donors.

### What the Governance Action Plan called for

The plan called for the development of a proposal on Board size, structure and composition during the period 2018–2020.

The plan also called for the adoption of an interim solution to accommodate additional public donors in the Board structure. (As an interim measure, a non-voting seat for new public donors was created in November 2017; see [GFO article](#).)

## Conflict of interest (COI)

Officials in the Global Fund governance structure operate in a “conflict-rich environment,” the OIG said. “There are many inherent conflicts of interest which are, by design, due to the inclusive partnership model.”

Although there has been a marked improvement in getting governance officials to submit COI declarations, the OIG said, problems remain. For example:

- The definition of “COI” is narrow, as it is limited to only professional or personal financial interest;
- There are no mechanisms to assess and monitor the completeness and accuracy of declared conflicts; and
- There is no follow-up or action taken in response to identified conflicts.

As a result, the OIG stated, Board members are often perceived as putting the interests of their constituents over those of the Global Fund.

### What the Governance Action Plan called for

The plan called for governance officials to receive on an ongoing basis regular communications and training regarding ethics and COI matters.

The plan also called for a review (in 2018–2019) of ethics-related policies and procedures to “align, clarify, consolidate and consider” non-financial COI.

### Focus on strategic issues

Heavy meeting agendas leave little time for in-depth discussion, the OIG noted. In 2015 and 2016, it said, Board and committee meetings averaged nine agenda items per day, with an average 52 minutes available per item.

“The number of topics on the agenda, the balance, between information and discussion points, and the overwhelming amount of documentation” [see next section] “has a negative impact on the level of engagement, especially for Board and committee members with limited support structures,” the OIG stated. “The level of detail that the Board should be involved in has been a continuous source of debate since 2002, when the first working group on governance presented concerns that the Board is too focused on operational matters.”

The OIG added that “underlying this is a perceived lack of trust among the Board members and between the Board and the Secretariat.”

### Available information for decision-making

The Board and its committees receive a large volume of documentation prior to meetings and there is limited consideration given to whether the documents are necessary for decision-making, the OIG stated. The volume of documentation is too large for effective analysis, it concluded.

For Board meetings in 2015 and 2016, between 63% and 73% of the documentation was for information purposes, the OIG said.

At the committee level, the OIG said, for their meetings in 2016, 51% of the documentation was for information. (The other 49% broke down as follows: for input 12%; for recommendation 17%; and for decision 20%.)

The OIG said that documents were shared with Board and committee members within the last two weeks prior to meetings.

The OIG recommended that alternative mechanisms be devised for the dissemination of non-critical information and routine updates.

### Management of cross-cutting issues

Managing issues that cut across more than one committee has proved challenging. Initially, the OIG noted, joint sessions for all three committees were held to discuss cross-cutting issues. However, the time allotted for discussion was too brief.

The Board's Coordinating Group then appointed lead committees for each cross-cutting issue. However, the OIG said, it is not always clear which committee should take the lead on a given issue. For example, issues related to country coordinating mechanisms (CCMs) had been assigned to the Strategy Committee (SC). Then they were transferred to the Ethics and Governance Committee (EGC) even though issues related to ethics form a small part of what CCMs do. (See also next section.)

In addition, the OIG said, detailed processes have not been developed for how the lead committee should collect and incorporate input from the other committee(s).

### What the Governance Action Plan called for

The plan called for implementing criteria for strategic agenda setting. The plan stated that the criteria were introduced ahead of the Board meeting in November 2017 and were to be rolled out to committees in 2018.

The plan also stated that the Board documentation approach was redesigned in the third quarter of 2017 and piloted at the Board meeting in November 2017 following training of relevant staff.

Further, the plan called for defining responsibilities, processes and parameters for managing cross-cutting issues. The plan stated that the "lead committee" model is being discussed by the Coordinating Group, and it noted that cross-cutting issues remain challenging.

### Coordination and oversight roles

There is insufficient clarity on the mandate and scope of authority of the Coordinating Group, the OIG said. In 2016, the group assigned lead responsibility for risk management to the Audit and Finance Committee (AFC); for key performance indicators to the SC; and, as mentioned above, for CCMs to the EGC. The OIG said it has observed "various forms of pushback on the part of both Secretariat management and some committee members challenging either the substance of the assignments or even whether the Coordinating Group had effective mandate to make such decisions."

The OIG said it has identified a wide gap in expectations between the Global Fund's executive management (i.e. the Secretariat) and Board Leadership on the nature and scope of Board Leadership's

oversight responsibilities. “As a result,” the OIG said, “what is seen by Board Leadership as normal governance oversight to hold management accountable is often seen by Secretariat executive management as undue interference with day-to-day management responsibilities.”

The OIG added, “Whilst the OIG does not have strong evidence to support one view over the other, the sheer existence of such wide gaps in expectations and perceived scope of mandate can result in a significant lack of alignment at the highest level, which is unhealthy for overall organizational governance.”

Coordination and oversight: What the Governance Action Plan called for

The plan called for clarifying committee mandates. The plan stated that this work is underway.

The plan also called for a review of the terms of reference of the Board to ensure that its mandate is clear, particularly with respect to the respective roles of Board Leadership and the Executive Director. The plan stated that this issue was discussed at the November 2017 Board meeting and that a decision was expected at the Board meeting in May 2018. (At that Board meeting, a revised process for the selection of the Chair and Vice-Chair was adopted; and a timeline was presented showing that revised Board Leadership terms of reference would be adopted by the EGC in early October 2018. See [GFO article](#).)

Note: In his article, we have focused on a limited set of issues related to governance oversight. The report on the advisory review also contains findings within the following topic areas:

- Leveraging the work of committees;
- Skills of Board and committee members;
- Board member turnover, including impact on institutional memory;
- Board member onboarding and development; and
- Enabling culture and values.

In addition, the report on the advisory review includes sections on the functioning of the Board and its committees with respect to assessing organizational performance and managing risk.

Sources:

- The [OIG Advisory Report: Governance Review: Proposed Improvements for the Board and its committees](#) (GF-OIG-17-009)
- The [Governance Action Plan](#) presented at the 39<sup>th</sup> Board Meeting (GF/B39/16).

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