2020 Governance Performance Assessment Final Report

45th Board Meeting

Background document

S The Global Fund

nestoradvisors

The Global Fund Governance Performance Assessment

Final Report

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The Global Fund

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List of main abbreviations

AFC　　　Audit and Finance Committee

AFRC　　Audit, Finance and Risk Committee

CRO　　　Chief Risk Officer

EAC　　　Evaluation Advisory Committee

ED　　　 Executive Director

EIB　　　European Investment Bank

EGC　　　Ethics and Governance Committee

EvU　　　Evaluation Unit

HR　　　 Human Resources

ICSA　　　Institute of Chartered Secretaries and Administrators

IG　　　　Inspector General

KPI　　　 Key Performance Indicator

MEC　　　Management Executive Committee

NGO　　　Non-Governmental Organisation

OIG　　　 Office of Inspector General

TERG　　　Technical Evaluation Reference Group

The GF　　The Global Fund

ToR　　　Terms of Reference

TRP　　　 Technical Review Panel

SC　　　　Strategy Committee

SEIC　　　Strategy and Implementation Committee

I.   Introduction: Our mandate, methodology, and Report structure

A.   Mandate

1. In 2020, the Global Fund ("**the GF**") retained Nestor Advisors to facilitate the achievement of the GF's strategic objectives by conducting the periodic performance assessment ("**Governance Performance Assessment**" or "**assessment**") of the Board, its Committees, the Coordinating Group as well the Board and Committee Leadership (the "**governing bodies**"), in line with the *Revision of the Governance Performance Assessment Framework (2019)*. The assessment operates on a two-year cycle, rotating between a comprehensive 360° "**full**" assessment in the first year and a "light" process in the second year, providing a progress update on the agreed actions.

2. The objective of this independent assessment was to assess the strengths and areas of improvement for the governing bodies and provide a suite of options for actionable recommendations for improving their effectiveness. Following the submission of the Final Report, the recommendations will be reviewed by the EGC and incorporated in the CGAP.

B.   Scope and structure

3. The scope of our review was the assessment of the GF's governing bodies. We did not directly assess the broader corporate governance system or policies of the GF, or its internal organisational and constitutional arrangements. However, certain findings during the assessment of the governing bodies also had implications for the GF's broader governance structure. Accordingly, at the end of the report Section IV offers certain ideas to address structural governance issues and, as such, should be considered independently from the rest of the Report.

4. The remaining sections of the Report describe key findings related to the functioning of the GF's governing bodies, preceded by the introduction, synthesis and executive summary. In the key findings sections, potential links relating to the *Issues in the broader governance* structure are indicated in green, as in the example below.

> (Example) If our proposals relating to structural changes in Section IV were implemented, then the following could be considered…

5. The Report has four appendices:

   5.1. Appendix I lists all official documents reviewed regarding the GF's current governance;

   5.2. Appendix II contains the consolidated list of our recommendations. These recommendations are arranged in two groups, organisation and mandate-related and process and function-related recommendations. We use the following colour coding system for these recommendations:

	High priority
	Medium priority
	Relatively low priority

5.3.   Appendix III contains the list of interviewees and survey participants; and

5.4.   Appendix IV contains the aggregated average rankings of survey responses for all three survey groups (see para. 8).

C.   Methodology

6.   The assessment utilised the following inputs:

i.   Document review

7.   We reviewed and analysed relevant documents regarding the GF's governance (a full list is provided in Appendix I). This included governing body ToRs, Committee workplans, Board meeting notes and agendas, and information on previous governance performance assessments and resultant initiatives.

ii.   Online survey

8.   All members of the three survey groups: (i) Board members and Alternate members, (ii) Board Committee members, and iii) MEC members, were asked to complete a confidential survey containing a variety of questions via BoardMirror®, our secure online platform. These questions were previously agreed with the GF Governance Team and the EGC. The survey was tailored to each participant's position as Chair / Vice-Chair of the Board, Board member, Committee Chair / Vice-Chair, Committee member, or MEC member. The survey required each participant to evaluate the degree to which he / she agreed or disagreed with whether the Board or Committee's practice was aligned with a "best practice" response.

9.   In total, 80 participants completed the survey an 86% response rate.[1] We aggregated the responses of the survey using a scoring system ranging from 2 to -2, in which: 2 was assigned to the answer "Strongly Agree"; 1 to "Agree"; 0 to "Not Sure"; -1 to "Disagree"; and -2 to "Strongly Disagree." For each survey group, the average score was calculated for each question, permitting comparison of responses across the questions and different survey groups. Responses were analysed according to their relative scoring (e.g. highest and lowest) as well as the extent of divergence between survey groups. Summarised averages of the highest and lowest-ranking survey responses and most divergent survey responses can be found in Appendix IV.

iii.   Individual interviews

10.   Following completion of the confidential surveys, selected members of the governing bodies and Secretariat were interviewed via video conferences from 13th October – 3rd November. There were thirty-one interviews in total.[2] In these interviews, participants were asked to elaborate on the specific challenges highlighted in their survey responses and other challenges with regards to their ability to adequately discharge their role. Appendix III provides a full list of interviewees and survey respondents.

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[1] When broken down: Board member and Alternate member response rate was 81.6%; Committee member response rate was 90.6%; MEC member response rate was 91.7%.

[2] Where Board members were not available for interviews, Alternate members were substituted. Note that an interview with the TERG Chair was not able to be scheduled.

11.   The anonymity of responses from each participant has been strictly protected throughout the Report. All interview / survey quotes are anonymised. The respondent groups were sufficiently large to support confidentiality.

iv.   Board and Committee meeting observation

12.   In addition to surveys and interviews, we observed the EGC, AFC, and SC meetings from 5th – 9th October and the 44th Board meeting on 10th – 12th November in order to witness the dynamics, functioning and pattern of Committee and Board meetings. We used our bespoke methodology for recording, aggregating, and consolidating observations from meeting participation to reflect on the meeting dynamics. One limitation related to this part of the methodology is that observation was only conducted of online meetings and thus the dynamics of in person meetings and discussions have not been observed.

v.   Best practice, data, and sources

13.   In addition to survey responses and views expressed in the interviews, our analysis and conclusions also draw on best practice, such as the OECD / G20 Principles for Corporate Governance and guidance on ToRs for risk committees by the Institute of Chartered Secretaries and Administrators ("**ICSA**").[3]

14.   In addition, we researched specific aspects of multi-stakeholder governance in other multilateral organisations and development finance institutions, including the World Bank, Gavi, European Investment Bank ("**EIB**"), and Proparco.

15.   Most importantly, we used our judgement, experience and knowledge of best practice in analysing the GF's practices, identifying strengths and areas for improvement, and making recommendations.

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[3] OECD (2015), G20/OECD Principles of Corporate Governance, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264236882-en; [3] ICSA (2020), Terms of reference for the risk committee, available at icsa.org.uk

II.   Synthesis and executive summary

16.   The GF, formally known as The Global Fund to Fight AIDS, Tuberculosis and Malaria, was founded in 2002 as a partnership organisation designed to accelerate the end of AIDS, tuberculosis, and malaria as epidemics. The GF works with a variety of partners: civil societies, government donors, implementing organisations, private and non-government organisations, independent associations, and technical and developmental partners to promote innovative solutions to global health challenges. As of June 2019, the GF has disbursed more than US$41.6 billion through its programmes to support affected communities in both developing and developed countries.

17.   Following a low point of stakeholder trust in the early 2010s, the GF has significantly strengthened its governance system, relying on well-structured interaction between a diverse set of constituencies and partners. This has produced impressive results in terms of the performance of the organisation, the quality of its leadership (executive and non-executive), and its agility and adaptability, evidenced during the COVID-19 pandemic.

18.   The effectiveness of the GF's governing bodies is shaped by the broader institutional structure of the organisation. Several facets of the GF's governance structure are typical of constituency-led organisations. Most importantly, members of its governing bodies play "dual roles" as representatives of constituencies, yet also as "fiduciaries" of all stakeholders, responsible to act in the best interests of the organisation as a whole. A related characteristic is short tenures and a relatively "chaotic" succession process for Board members, that is mostly driven by the constituency representation imperative. In their turn, these fundamental traits tend to perpetuate an asymmetry in organisational knowledge and skills between executives (the Secretariat) who are there for the (relatively) long haul, and Board members who are (relatively) transient. This asymmetry might, and often does, cause lower degrees of trust in multi-stakeholder organisations, such as the GF.

19.   In its effort to address a complex web of stakeholders, the GF has developed some *sui generis* organisational approaches, well-defined but in themselves quite complex. At the centre of governance is a Board that is relatively hands-off and meets regularly only twice a year. Most work is done in the three Committees that have extensive delegated authority and whose membership mostly does not overlap with the Board's, which creates limited accountability to the Board. All of these instances are led by short-term external people, many of them senior, independent "heavy-hitters."

20.   Resulting from the above are certain particularities in the GF's Board and Committee dynamics. These include wide differences in capacity and ease of engagement between different constituency representatives, especially between the single constituencies of the larger donor countries and the multi-member constituency of implementers and / or other stakeholders. Most importantly, these "innate" weaknesses have encouraged a process-heavy environment and fairly minute "stage-setting" by the Secretariat[4], developed over time with the positive intention of strengthening transparency and consistency of governance practice, especially given very short tenures, it does discourage leaders from exercising initiative and taking full leadership responsibility. It thus might be unwittingly helping to perpetuate a sense that

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[4] By "stage setting" we refer to very detailed procedural and process guidance to the Board and Committee Chairs by the Secretariat on how they should go about leading a particular body. While this does have a positive effect on consistency of governance practice, especially given very short tenures, it does discourage leaders from exercising initiative and thus might be unwittingly helping to perpetuate a sense that everything is "controlled" by the Secretariat which in its turn might generate lower than optimal trust.

everything is "controlled" by the Secretariat, this control seen as a barrier to effective participation by Board and Committee members. In their turn, these barriers might further exacerbate a perception of lower trust and contribute to a degree of tension in the relationship between the Secretariat and the Board, and between (and sometimes within) constituencies, with some constituency members feeling that their "voice" goes unheard. In addition, sustaining such complex, process-heavy governance arrangements require too many resources, possibly diverting them away from the GF's main goals.

21.   In view of the above, the main goal of our recommendations is to further enhance trust and collaboration between the various stakeholders. This will preserve and further improve the GF's best-in-class performance, its quality of leadership and its robust accountability to stakeholders while addressing some of the issues noted above. In other words, we always ask ourselves the question: how governance and its key actors (Board and Committees) can best help the organisation achieve its goals. Governance for governance's sake, or for increasing comfort among the various actors brings little value in this respect.

22.   Going forward, we identify four key priorities for the GF:

22.1.   To enhance **Board member loyalty and accountability** to the GF, by improving the interaction between the Board and Committees on the one side, and the Secretariat on the other; but also through the potential introduction (in Section IV) of more independent (non-constituency) members with decision-making power, and the power to influence Committee work…

22.2.   …While to further develop **constituency "voice" and power**, with a continued but more focused participation in the committees, but also by considering (in Section IV) the establishment of a Constituency Assembly, a new body empowered to set long term strategy and nominate the GF's key leaders.

22.3.   To improve **consistency of direction and control** by discouraging "silos" at the top, such as those resulting from Committees not being sufficiently and effectively led by the Board. We propose to achieve this by reordering Committee membership and streamlining their respective mandates, and by changing the project evaluation process currently led by TERG.

22.4.   To leverage learning from the COVID-19 pandemic by **improving the GF's dialogue and meeting toolkit**, using tools such as behavioural "nudges," empowering Chairs to take control of meetings and distributing more the Board/Committee agendas through the use of Board seminars / workshops and other innovative formats.

23.   Following the introduction, synthesis and executive summary, Section III includes key findings and recommends changes to the GF's current governance arrangements which are related to the four priorities above and are of an operational and functional nature. Following the core part of the Report, we offer ideas for changing some of the GF's current institutional arrangements in Section IV. While we believe that this might be the most effective lever for addressing key issues that impact on trust, we are also conscious of the fact that, if this more controversial path is to be followed, an in-depth review of institutional arrangements might be the order of the day. Therefore, we offer no specific recommendations in Section IV. It should also be noted that the implementation of the recommendations presented in the core part of the Report does not necessarily depend on the endorsement of our suggestions on institutional change outlined in Section IV.

24.   Although the current assessment was conducted during the COVID-19 pandemic, the recommendations provided in the main body of the Report are applicable in both crisis and "normal" circumstances. Please note that Section 0 specifically outlines suggested changes for Board engagement in the virtual environment.

III. Key findings

A.   Board responsibilities

i.   Strategy development and assessment of organisational performance

a.   Summary

25.   The GF's Board, with the support of the SC, is currently nearing on the approval of a new strategy for 2023-2028, based on a well-structured process that includes regular Board retreats. However, there is room for improving the level of challenge provided by the Board to the SC. To this effect, we recommend a streamlining the SC's mandate with a focus on the strategic monitoring / KPI toolkit, while assigning the broader strategy development to the Board (and, as per the Section IV, to an eventual Constituency Assembly).

26.   Our assessment also evidenced concerns on the resources and mandate of the TERG. To address this, the GF can consider transferring the TERG's responsibility for independent evaluations to an internal function within the Secretariat, as is done in other peers.

b.   Strengths

The GF has well-developed processes for strategy development.

27.   Currently, the GF is in the process of developing and approving a new strategy for 2023-2028. We have identified several strengths in the GF's approach to strategy development. First, the long-term strategy development process is very well-structured and quite inclusive of key stakeholder groups. *The Global Fund Strategy Development Timeline* clearly indicates the steps / consultations that need to be taken over the 2020-2022 Allocation Period and Replenishment Cycle, ahead of the implementation of the new strategy. Second, the Board and Committees each have annual workplans, which help them monitor decisions related to strategy that need to be taken over the course of the year. These well-developed processes underpin the GF's high performance and success over the long-term.

28.   In addition, the Board has regular off-site strategy retreats, which have been taking place in a virtual format during the COVID-19 pandemic. Board retreats before and after the 44th Board meeting were the third step in a series of consultations on the GF's 2023-2028 Strategy with different types of stakeholders. The first step was a joint Board and SC session, and the second was an in-depth discussion among the SC members on key strategic areas.

29.   Such Board retreats provide an important opportunity to discuss strategy development in an informal manner, with Board members encouraged to put forward suggestions based on evidence provided by the TRP, TERG, OIG and Secretariat.

> *"[The Board retreat] is an interactive approach to take conversations forward."*

c.   Areas for improvement

There is relatively limited challenge from the board on key proposals on strategy.

30.   During the interviews, several Board and Committee members noted a lack of challenge and substance in discussions on strategy development, and a focus on operational rather than strategic issues. In addition, as per the online surveys, *Strategy* is the lowest ranked section for Committee members and the second lowest ranked section for Board and Alternate members.

> *"There needs to be focus [and identification of] concrete questions rather than just being generic."*
>
> *"As a Board we need to keep focusing on the strategic issues, especially in the current volatile environment. [The last discussion on strategy] was done in a rushed manner and lacked space for reflection."*

31.   Discussions on strategy are dispersed between the Board and the SC. While establishing the GF's strategy is one of the Board's (and any board's) key responsibilities, the SC has a wide mandate in driving this task. Given that the SC contains a different group of people than the Board, and follows separate processes (see para 164), this may create gaps in responsibility and accountability. More importantly, the Board might be in a position of adopting and directing the implementation of a strategy that was not necessarily the result of robust challenge and reflection by its members. In order to address this potential accountability gap, the Board needs to have a stronger role in strategy development. In view of this, the SC mandate could be streamlined to focus more on the strategy monitoring toolkit for the Board, and less on the deliberation of general strategic discussions (Rec.21 discussed in more detail in Section G.i).

32.   In order for the Board to gain full control over the development and approval of strategy the GF could adopt an institutional approach similar to the World Bank's by establishing a forum where Board members would discuss a specific issue e.g. discussion of strategy. The GF could consider calling this forum a "Committee of the Whole," as it is at the World Bank. The forum, composed of all Board members, would act as a more informal setting where members exchange their views and provide guidance on high-level proposals prior to their submission to the Board for decision. Establishing such a set-up for Board members at the GF, where they would be encouraged to discuss and exchange opinions on strategic matters like budget and any multi-year business plans ahead of Board meetings, would encourage substance and challenge in such discussions.

The GF's monitoring of strategic objectives is relatively weak.[5]

33.   In the survey, the response on whether the Board effectively monitors and guides strategy implementation is among the top-10 divergent responses between donor and implementer constituencies, showing a dichotomy in the opinion of different constituencies in this matter. Furthermore, at both Board and Committee levels there were concerns around being "too critical" in pointing out poor performance of any individual countries, which is nevertheless crucial for monitoring the effectiveness of the GF's work. As indicated in the

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[5] We understand that there is an ongoing workstream on developing a Monitoring and Evaluation Framework, and that our findings may inform this process.

quotes below there also seems to be some concerns around the technical relevance of the KPIs.

> *"Current KPI mostly report on progress at the national level by governments, so it is quite hard to read back what the GF is actually doing. The KPIs don't report on the GF so I do not know how useful they are. We really need to get to a point, where KPIs give you enough information to tell you if there is a problem […] to give you confidence of what is and what is not on track."*
>
> *"There is a framework [of KPIs] but they don't effectively measure the Global Fund's performance. Some of them measure global performance, much of which is outside the Global Fund's control."*

34.   The improvement of mechanisms for monitoring strategy implementation, including relevant KPIs and the introduction of effective dashboard reporting seems therefore to be a priority for the leadership of the organisation. The GF should consider streamlining its strategic KPIs to ensure that they are relevant for measuring the GF's performance. Streaming the mandate and focus of the SC to address ongoing effort to improve the toolkit (Rec.21 discussed in more detail in Section G.i) would also help in responding to this challenge.

Exhibit 1: Responses to: "*The Board effectively monitors and guides strategy implementation.*"

8.2%	59.0%	24.6%	8.2%	0.0%
Strongly agree	Agree	Not sure	Disagree	Strongly disagree
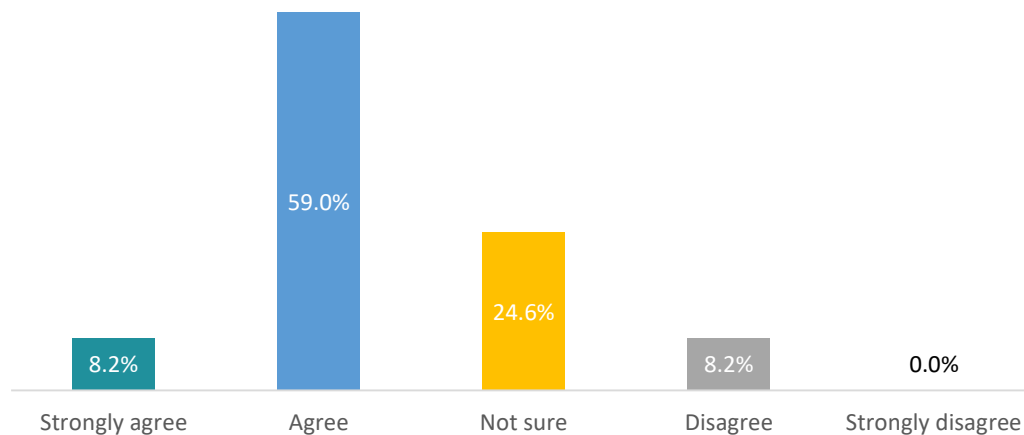
The structure and functioning of the TERG requires further improvement.

35.   We understand that the GF currently reviewing its approach to monitoring and evaluation, which includes the work of the TERG.[6] Multiple interview participants raised concerns around the effectiveness of the TERG. Some pointed out that there are inadequate resources to support the proper implementation of the TERG's mandate, which is to conduct an independent evaluation of the GF business model, investments, and impact. Interviews indicated that although the TERG has its own Secretariat "to provide

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[6] The review of the remit and effectiveness of TERG was confidential and has not been included in this assessment

operational, administrative and logistical support,"[7] the degree of such support is often uneven.

> *"The [TERG] has no quality and reporting standards. They do not have the ability to build an independent report."*
>
> *"The Technical Evaluation Review Group and the Office of Inspector General often have complimentary reviews and I think what the Board has seen [is that] the Office of Inspector General comes up with very quality-driven products, and the Technical Evaluation Reference Group comes up with something [more] high-level and […] soft."*
>
> *"Because the Technical Evaluation Reference Group is under-resourced […] it was not able to do [the evaluation of the] Secretariat and independent evaluation [properly]."*

36. In order to ensure that the GF has a strong and well-resourced evaluation function that is able to learn and improve over time, the independent evaluation reviews, which are now under the remit of TERG, should be undertaken internally by the Secretariat, with the help of external experts if and as required. The TERG could evolve into a purely advisory panel composed of such experts, providing independent advice and challenge on the Secretariat's reports. Such a strong, internal evaluation function would provide benefits through aligning metrics, timing, focus, and coordination with other processes at the GF.

37. The above suggested approach can be placed in between approaches that are based on external assessments such as Gavi's approach, which includes an Evaluation Unit combined with external evaluation by outside experts, as per the exhibit below; and purely internal approaches that are the rule at many DFIs, such as the World Bank, the EIB and the EBRD.

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[7] TERG ToR

Exhibit 2: Gavi's measures to safeguard evaluation independence and impartiality
"Independence in commissioning of evaluations: • *The Evaluation Unit ("EvU") develops an evaluation work programme to be reviewed and approved by the Evaluation Advisory Committee ("EAC");*   • *All evaluations are conducted by external independent firms or consultants;*   • *Potential conflicts of interest are assessed prior to hiring of evaluation teams;*   • *All evaluators sign the Company Conflict of Interest Disclosure Form as part of the proposal submission process;*   • *The selection of the evaluators and evaluation teams is undertaken by an Adjudication Committee, and if necessary, composed of the Steering Committee and other members as needed, and an independent Chair is elected.*   *Independence in management of evaluations:*   • *When there is a Steering Committee, it is regularly updated on evaluation progress and provide recommendations to the EvU as needed;*   • *The EAC is regularly updated on evaluation progress and provide recommendations to the EvU as needed."* **Gavi**

38.   If an internal evaluation function were to be established, the SC would no longer be responsible for "*approval of the guidelines, evaluation criteria, processes, work plan and procedures of the TERG*" but would still be responsible for the appointment of an "advisory" TERG , and would be receiving and discussing the results of evaluations as part of its focus on the monitoring of strategy implementation (see Section G.i).

d.   Recommendations

Rec.1	The Board should consider establishing a forum for the entire Board to discuss and prepare its decisions on strategy-related matters and streamline the mandate of the SC in this respect (see G.i).
Rec.2	The independent evaluation of the GF business model, investments, and impact that the TERG is currently performing should become the responsibility of a new internal, independent division within the Secretariat. TERG should become an external panel of experts that provide an independent view on the Secretariat's strategy evaluation work. It should continue to report to the SC.

ii.   Governance oversight

a.   Summary

39.   There were significant improvements in governance decision making and oversight over the last few years including the establishment of a well-functioning ethics framework. However, challenges remain. A more streamlined nomination process controlled by the Board for key executive appointments, a more consistent executive succession planning approach coupled with a more hands-on Board direct reports evaluation process, and better guidance to constituencies on Board appointments would further improve the GF's governance. Finally, the current approach to governance assessment might be too much of a good thing—less might be more.

b.   Strengths

The Board Leadership selection process has improved.

40.   In 2018 the Board, on the recommendation of the EGC, approved the revised Board Leadership selection process. This was operationalised for the first time for the appointment of the Board Chair and Vice-Chair for the period of 2019-2021. Under the new procedure, a Board Leadership Nomination Committee ("**BLNC**"), which is formed on an ad hoc basis for each Board Leadership nomination cycle, is responsible for reviewing the nominations received from voting constituencies and shortlisting candidates.

41.   The interviews indicated that that the Board Leadership selection process was successful, with the right candidates chosen for both Chair and Vice-Chair positions.

"Board Leadership selection last time was very tight with people more conscious of their responsibilities."

"We did quite well with [selecting] the Board Leadership: We were able to create a good pairing."

There is a strong ethics framework in place.

42.   The GF has a well-developed Ethics Office, which provides support to the governing bodies on the code of conduct, ethical standards, and due diligence.

43.   The Ethics Office is led by the Ethics Officer, who has a very good understanding of the various risks surrounding the GF's governance, their different levels of importance and how he can intervene to mitigate those issues.

"The Ethics Officer works on three dimensions: [ethics-related issues across] Board, Secretariat and Committees; risks such as conflict of interest, harassment, and corruption; and measures to mitigate risks such as policy development, training, and communication."

44.   The GF has also improved its approach to potential conflicts of interest, with Board and Committee members now being asked to declare their conflict of interest prior to or at the

start of the meeting. In the presence of one they must abstain from voting, and, at times, leave the room.

> *"[Conflicts of interest] seems to be well dealt with through creation of Ethics Office, which removes a lot of that conflict."*

c. Areas for improvement

The succession planning process for the IG ED and senior management as well as for Board members could be further improved.

45.   While the GF has established a well-run process for replacing the ED and IG, it could be improved through a more structured approach to succession planning. As the exhibit below demonstrates, almost 50% of survey participants are "Not Sure" or "Disagree" with the statement that the Board adequately supervises the succession planning process for the ED, which is also the lowest scoring response in the *Governance Oversight* section of the survey.

Exhibit 3: Responses to: *"The Board adequately supervises the succession planning process for the ED."*

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
11.9%	44.1%	35.6%	8.5%	0.0%
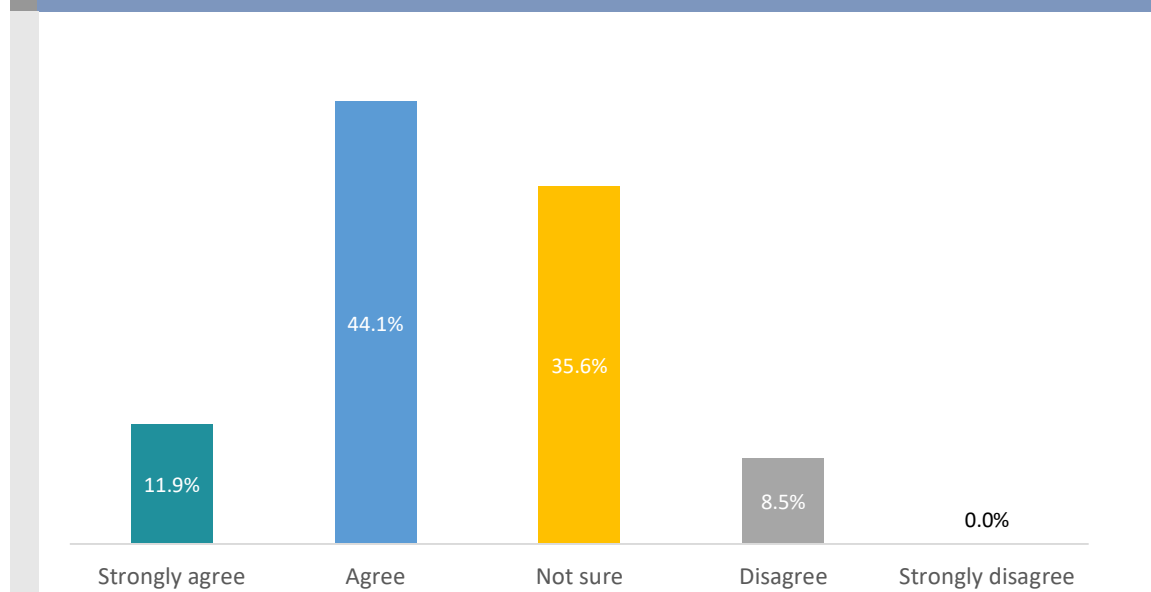
46.   In this respect a comprehensive senior management succession planning policy[8] should exist that would ensure that the GF is prepared with a plan to ensure continuing leadership in operations and key functions when the ED, IG, or other MEC members leave their positions. Any such approach would address both unexpected succession (e.g. in view of accidents, illness, sudden departure) and expected succession by starting nomination processes early enough, and also identifying high potentials in the organisation that could provide internal alternatives to fill senior management vacancies. Ultimately, the responsibility for succession planning would fall to Board Leadership for the ED and IG, and

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[8] We understand that succession planning is mentioned in *Operating procedures of the Board and Committees (2019);* IG and ED's ToRs; and the GF's Bylaws.

to the ED for other MEC members. Even in the latter case, the Board should ensure that such plans are indeed in place.

47.   To ensure that there is proper succession planning for Board members, the EGC should develop and maintain a Board skills matrix (see Exhibit 4). Prior to Board nominations by constituencies, the EGC should identify minimum skills criteria to the constituencies for consideration, based on the current need of the Board given its collective knowledge, skills, and experience.

Exhibit 4: Example of a private bank skills matrix

Target Board Profile
Please mark "X" below in the applicable boxes for Board Members only.
Board size = 4

Name of Board Members	Banking & MFI Experience	Strategic perspective	Leadership Experience	Financial / Accounting Expertise	Legal and regulatory Expertise	Understanding of local institutions	Digital / IT Experience	Control and risk Management Experience	HR Experience	Knowledge of target market	Emerging Markets Experience	Gender diversity (M/F)	Independence	Term of mandate
[Chair]														20..
														20..
														20..
														20..
														20..
…														
…														
Percentage of non-executive directors														-

If independent Board members are appointed as per our proposals for structural changes in Section IV, the proposed Constituency Assembly Nomination Committee would lead this process and employ the Board / EGC skills matrix in the identification process of potential candidates. The EGC should also establish a skills matrix for Committee nominations and appointments, which would identify minimum criteria required for representatives to sit on a particular Committee.

The nomination processes of the ED, IG, and Board Leadership are overly complex and may be weakening accountability to the Board.

48.   Currently, the nomination processes for ED, IG and Board Leadership are driven by three distinct nomination committees formed in an "ad hoc" manner, in that they are dissolved once the respective nomination process is complete.

49.   The composition of such committees differs, as does the selection process of Board Leadership as opposed to the selection process of the ED and IG.[9] As regards to the Board Leadership selection process, the BLNC shortlists the candidates, assesses them through interviews and recommends candidates to the Board, which provides approval. Regarding the IG selection process, similarly to BLNC, the IGNC shortlists, assesses and recommends one final candidate to Board for appointment. As regards to the ED selection process, the Nomination Committee shortlists, assesses and then presents a final list of candidates to

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[9] The BLNC is composed of three implementer constituency nominees, three donor constituency nominees and one non-voting partner nominee. The IG Nomination Committee is composed of two implementer constituency nominees, two donor constituency nominees, one non-voting partner nominee, and two independent members. The ED Nomination Committee was last composed of nine members.

the Board. The Board then meets with all finalists before deliberating and reaching a decision. Constituency engagement is also part of the process.

50.   Our view is that nomination processes centred around ad-hoc[10] nomination committees may inhibit institutional ownership of the nomination process by the Board. In its turn, this might potentially create a misalignment of accountability of the ED towards the Board.

> *"The constituency members[11] [who are members of nomination committees] might be Board members, but not always. This creates a difficulty in connecting the Board […] and the standing Committees."*

51.   Moreover, the complexity of these parallel but slightly different processes seems to be confusing to many members of the GF governance instances. This might explain why responses on nomination are among the 10 most divergent survey responses.[12] This confusion lowers effective transparency among Board members as to what these processes entail.

> *"[In relation to the IG and ED Nomination process] So much process undermined trust in the end of the day. The more process you have the less trust there is."[13]*

52.   In order to increase transparency among Board members and constituencies and enhance accountability of the function holders to the Board,[14] the nomination processes for the ED and IG could be improved. The GF could establish a standing Nomination Committee for ED and IG, which would be composed of Board Leadership, EGC Leadership, two constituency members and one or two independent members that would rotate every two-three years. The Nomination Committee for ED and IG would be called into action when needed and would present the shortlisted candidate(s) directly to the Board for appointment.

> If the structural changes outlined in Section IV were to be implemented, the Board Nomination Committee for ED and IG would make proposals to the Board for nomination, with the appointment of the ED assigned to the proposed Constituency Assembly. In addition to directly involving the Board and its main governance support, enhancing clarity and transparency, such a standing Committee would strengthen institutional memory, by ensuring continuity of approach and process in these critical nominations.

The process for the ED's evaluation could be improved.[15]

53.   Although the ED is accountable to the Board and Board Leadership, the 360° evaluation process is conducted by an external agency. Board Leadership steward the process on behalf of the Board through engaging at the start with the service provider, setting

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[10] See para. 48 above.

[11] Members of NCs serve in personal capacity and do not report to their constituencies/represent their constituency.

[12] This section of the survey included divergent statements on ED and IG succession in particular.

[13] Please note that the interviews took place before the IG selection process was concluded.

[14] See para. 51 above.

[15] We understand that, overall, the evaluation processes are broadly similar for both ED and IG.

objectives and a subset of KPIs, and discussing performance with the ED at the end. The process culminates in Board discussion of the assessment and adoption of the final report, after which any further feedback is provided to the ED. Several interviewees raised issues about this process.

54.   The evaluation seems to be based 50% on the KPIs set for the ED's performance, and 50% on "Leadership Behaviours," assessed through stakeholder surveys and targeted interviews. Surveys and interviews are conducted by the external consultant and there is a need to ensure that the external party has the in-depth knowledge and understanding of the GF to adequately assess the ED's performance. Board Leadership does not seem to be involved in a sufficiently hands-on way. Furthermore, interviews indicated that the 2020 KPIs for the ED's performance, which are a subset of the KPIs included in the Strategic Key Performance Indicator Framework, had yet to be agreed by October 2020, which limits the ability to assess the ED's performance against those KPIs. We understand that the approach to the ED's KPIs is currently being reviewed.

55.   According to relevant Guideline, the Board Leadership discusses the outcomes of the review with the ED before the Board session and comes back to the ED to share the Board's feedback following discussion at Board executive session. In that way the opportunity for Board input, and feedback to ED, is provided for by the assessment process. Both the discussions between Board Leadership and the ED, should be informed by the 360° survey, KPI performance and the Board's own judgement on qualitative leadership issues. However, interviews indicated that Board members do not feel that the Board has a sufficient role in the evaluation process. As in some other areas under consideration, this dissonance between process design and its understanding by Board members might be due to the complexity of the process rather than the actual quality of its design.[16]

"The evaluation process for the ED is poorly designed."

"The Executive Director's KPIs are very vague and hard to enumerate."

56.   We understand that as per the *Guideline for Annual Performance Assessment of Board Direct Reports* there are regular formal and informal engagements between Board Leadership and the ED. However, Board members need to become more familiar with the process and Board Leadership needs to be more hands-on in one of its most important tasks—ensuring that the executive leadership is performing. While external consultants could assist by carrying out surveys for the 360° element of the evaluation, Board Leadership should have full ownership of the process.

Frequent governance assessments might be counterproductive for assessing performance.

57.   The GF may be assessing the performance of its governing bodies and governance procedures too frequently, which may in its turn result in "assessment fatigue," and ultimately hinder the GF's ability to implement identified improvements. For example, according to private sector norms (e.g. in the UK Corporate Governance Code), external in-

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[16] As noted below, short tenure also limit opportunities to understand some of this well-designed but complex processes.

depth assessments should be carried out every three years, rather than on a biennial basis as at the GF.[17]

58. Such reviews / assessments often occur in parallel by different bodies, both inside and outside of the organisation. We observed that that the outcome of the June / July EGC Committee self-assessment was not discussed at the EGC Committee meeting, as there were not enough responses received from the Committee members. It is often the case that when assessments happen too frequently, Board / Committee members may be reluctant to participate.

59. To improve the way the GF is assessing its performance, the Board should consider developing a standardised toolkit for governance assessment,[18] which would include periodicity and purpose of different external and internal performance assessments, which should be aligned with the wider strategic cycle (e.g. twice per six-year strategic period).

d. Recommendations

Rec.3	The ED's evaluation should be led in a more hands-on way by the Board Leadership. While external consultants could assist by carrying out surveys for the 360° element of the evaluation, Board Leadership should have full ownership of the process. This process could also be clarified to Board members through workshops during induction (see Rec.12).
Rec.4	The Board, supported by the EGC, should develop a standardised tool kit for governance assessments which would clearly outline different types of governance evaluations (including, and beyond the Governance Performance Assessment), their periodicity and purpose. In terms of timeline, such assessments should be aligned with the wider strategic cycle.
Rec.5	The GF should set up a standing Board Nomination Committee for the selection and nomination of the ED and IG, to convene as needed.
Rec.6	The EGC should develop and maintain a Board and Committee skills matrix. The skills matrix should serve as ex-ante guidance to Board appointments by constituencies. As per Committee appointments, the skills matrix should be employed in the identification process of potential candidates.

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[17] Financial Reporting Council (2018), UK Corporate Governance Code.
https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf
[18] This standardised tool kit for governance assessment would organise all governance assessments including the ones conducted under the GPAF framework. However, it would not be limited to the latter.

> **Rec.7**   The Board should establish an executive succession planning policy, which clearly outlines both long-term and emergency succession plans.

iii.   Partnership engagement

a.   Summary

60.   The GF has a well-developed relationship with its diverse partners and stakeholders, recognised by members of its governing bodies and evidenced by our survey: the relevant section was the highest scoring of the entire survey. The GF should continue its good work in this area and ensure that it continues to strengthen existing relationships, while staying open to new engagements and forms of engagement.

b.   Strengths

The Board actively promotes The GF's engagement and collaboration with a wide and diverse range of partners.

61.   The GF has a well-developed relationship with a diverse range of partners and stakeholders, which was clearly indicated in the survey, where the section on *Engagement with Partners and Stakeholders* was the second highest scored section, with an average score of 1.1.

Exhibit 5: Engagement with partners and stakeholders

	The Board has adequate knowledge of who the Global Fund's stakeholders are, their needs, and their expectations.	The Board actively promotes the Global Fund's engagement and collaboration with a wide and diverse range of partners.	The Board is effective in helping to mobilise resources through public and private donors.
Score	1.1	1.2	1.1
	26.6%	27.8%	32.9%
	58.2%	63.3%	49.4%
	12.7%	7.6%	15.2%
	2.5%	1.3%	2.5%
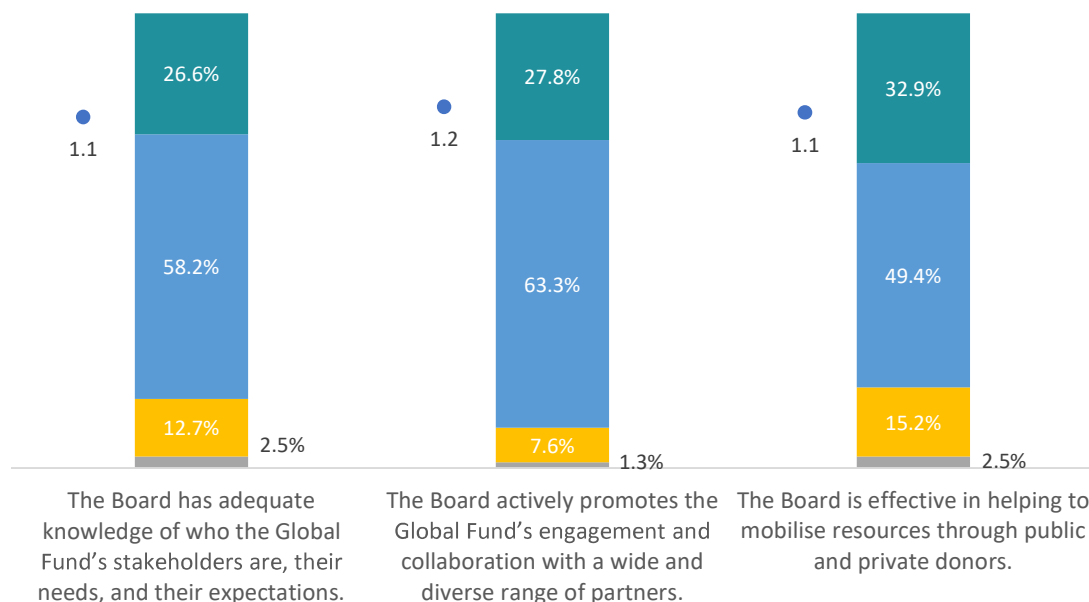
62.   To facilitate engagement on strategic matters with existing partners and reach new partners, the GF has established a Global Fund Partnership Forum, which acts as a platform

for debate, advocacy, continued fundraising, and inclusion of new partners for the development of the GF's strategic plan.

63.   Interviewees suggested that the GF should continue to carefully consider whether all of the relevant stakeholders sit on the Board or whether there are some perspectives missing.

> *"We should be careful when talking about partnerships in the context of new strategy. We should consider their impact on future Board structure and governance as well."*

iv.   Risk governance

a.   Summary

64.   The GF seems to have a best practice approach to risk governance, risk appetite, and internal control, including regular risk reporting and a strong OIG function. However, the responsibility for risk governance and oversight at the top is distributed across several of its governing bodies. This may prevent the emergence of a holistic view of risk at the top of the organisation. We recommend that the GF establishes a centralised "home" for risk oversight by transforming the AFC to an "Audit and Risk Committee." We also suggest that the accountability of the OIG could be further streamlined.

b.   Strengths

There is a well-developed risk management system, including a risk appetite framework and regular risk profile reporting.

65.   The GF has a well-developed risk management function which is led by the CRO. In line with best practice, the Risk Management function is underpinned by a *Risk Management Policy* which includes the *Enterprise Risk Management Framework*, *Organisational Risk Register* and *Risk Appetite Framework*. The Risk Appetite is set for nine organisational risks and monitored for a defined cohort of countries.

66.   The Risk Management department has also developed a number of risk management tools such as the *Integrated Risk Management* module, an online platform that provides information on grant-related risks.

The Risk Management function provides regular reports to the Board and the AFC

67.   In line with best practice, there are regular risk reports that are shared with the AFC and the Board on a bi-annual basis ahead of Board / Committee meetings. Such reports are presented to the Board / AFC by the CRO.[19]

68.   Each *Risk Management Report* includes classification of key risks based on an *Organisational Risk Register*, updated on quarterly basis. The Report submitted to the Board ahead of the May 2020 meeting and to the AFC ahead of the March 2020 meeting included the CRO's Annual Opinion.

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[19] Risk Management Report October2020 AFC GF/AFC14/04

> *"Risk reports are reviewed by the AFC but are also going to the Board."*

The risk mandates of the Board, Committees and Coordinating Group are aligned.

69.   Although risk responsibilities are spread across multiple governing bodies, namely the Board, the EGC, the AFC, the SC and the Coordinating Group, their risk mandates are clear in the respective ToRs and do not contradict each other.

c.   Areas for improvement

There is distributed responsibility for risk governance and oversight, which may prevent the emergence of a holistic view and substantive challenge of risk management by the governing bodies.

70.   Although risk responsibilities are clearly stated in the ToRs of the governing bodies (see para. 69), there is a lack of clarity among Board and Committee members regarding the GF's approach to risk and risk-related issues. We believe the reason for this to be the absence of a single institutional home for risk.

71.   We understand that the routine risk reports are issued to all three Committees, and that both the EGC and SC have risk responsibilities in their respective mandates. The Coordinating Group can also ask any of the Committees to analyse specific risk areas as it deems necessary.

> *"In accordance with the risk management strategy or related policies approved by the Board [...] [the EGC could] analyze other risk areas at the request of the Coordinating Group.*
>
> EGC Charter
>
> *"[The Strategy Committee] shall advise and make recommendations to the Board in the areas of risk that affect strategic objectives, goals and targets or other risk matters assigned by the Coordinating Group."*
>
> SC Charter
>
> *"In accordance with the risk management strategy or related policies approved by the Board [the AFC shall] analyse risk areas at the request of the Coordinating Group."*
>
> AFC Charter

> *"We need to clarify which Committee deals with which risks, and how we deal with cross-cutting risks."*

72.   There is no doubt that specific risks need to be addressed in different Committees or instances that are better equipped to do this. For example, conduct and financial risk are rightly within the scope of the AFC while strategic risks should indeed be addressed by the SC. However, there is no single instance that has a consolidated, continuous view of the risk profile of the whole organization. This might result in gaps that in the long term can drive preventable lapses. The argument that "it has been fine until now" should not be allowed to carry the day in the area of risk management.

73. As agreed at the Coordinating Group, the AFC is the lead Committee on risk, although this is not formally reflected in its Charter. We recommend that the GF formally assigns primary responsibility for risk oversight to the AFC, which could become the "Audit, Finance and Risk Committee" and bear the primary responsibility for risk oversight—a task that is not far from its current responsibilities.

74. As noted above, while the Audit, Finance and Risk Committee will be governance body assigned with overall risk oversight and will hold the Risk Management function accountable for its work, this does not mean that other Committees will not consider different types of risks as part of their work—they will continue to do so implicitly or explicitly as is the case for example with conduct risk in the EGC. Specific risks need to be addressed in different Committees or instances that are better equipped to do this. This is the case even in organisations that have specialised committees for risk. For example, in a bank it is common that conduct or ethics as well as strategic risks remain the preserve of other board committees than the risk committee-- or of the board as a whole.

75. To ensure that all risks are correctly addressed, the Audit, Finance and Risk Committee would liaise with the EGC, and SC on the risk areas within their mandate. For instance, in risk appetite the Audit, Finance and Risk Committee would liaise with SC in the process of setting the strategy and budget. The Coordinating Group should not have particular responsibilities in the risk area.

The accountability of the OIG could be improved.

76. Interviews broadly indicated that the GF has a strong and independent OIG function, which is greatly appreciated among the Board / Committee members. However, its accountability could be improved from the current "dual" reporting and accountability lines to the AFC and the Board. The AFC oversees the work of the OIG and the latter is its main rapporteur. The Committee is also responsible for approval of the OIG's annual audit and investigation work plan, guidelines, processes, and procedures.

> *"The Audit and Finance Committee can only recommend to the Office of Inspector General for something to be done."*
>
> *"The [primary] reporting line of the Office of Inspector General is to the Board but [its] day-to-day operation is [overseen by] the Audit and Finance Committee."*

77. The Board, although lacking day-to-day familiarity and in-depth knowledge of the IG's functioning and operations, is responsible for approving and dismissing the IG. The performance assessment of the IG is stewarded by the Board Leadership on behalf of the Board with the involvement of the AFC Leadership; AFC Leadership also attend the Board session at which the IG's performance is discussed. However, to ensure consistency and proper accountability, the AFC's role could be strengthened: it should lead the assessment of the IG's performance and discuss / report on the assessment results to the Board. In fact, we see no reason why the IG should not be fully accountable to the AFC, as is the case in most organisations.

d.   *Recommendations*

Rec.8	The GF should assign primary responsibility for risk governance oversight to one body, in its governance arrangements, the AFC, to whom the CRO should be accountable. The AFC should become an "Audit, Finance and Risk Committee."
Rec.9	There should be greater accountability of the IG to the AFC. The performance of the IG should be evaluated by the AFC, which would then report to the Board.

B.   Relationship with the Secretariat

a.   Summary

78.   The GF has a high-quality executive team which ensures executive leadership, and, in combination with its strong Governance Team, a high quality of reporting and support to the governing bodies and constituencies. However, there is a certain tension in the relationship between the Board and the Secretariat. The perceived lack of trust in the GF, has been noted by a significant number of governance officials and other interviewees and needs to be addressed. The EGC has already an initiative under way to address the organisational culture. Our analysis and recommendation could be used as inputs in this respect. There are no low hanging fruits to harvest in this area, but there are some readily planted seeds that, if nurtured, could bear fruit.

79.   This sub-optimal level of trust is likely the result of a combination of historic, cultural and operational factors, often present in constituency organisations. There is also an asymmetry of experience between the Board / Committee members and the Secretariat team in running large organisations—often observed in multilateral institutions— which also contributes to this tension, and it is more prevalent at the GF than in, say, private sector organisations.

b.   Strengths

There is high quality reporting from the MEC to the Board.

80.   Our review of Board documentation and observation of Board and Committees as well as our interviews revealed an impressive quality of reporting to the Board and Committees This is surely due, among other things to the high quality of executive leaders –surely best in class for an international organization.

The Secretariat makes significant efforts to address differences in capabilities among the constituencies.

81.   The GF has developed Constituency Management Guidelines, which are based on good governance principles, to support constituencies in defining effective internal ways of working and in implementing the requirements of the Operating Procedures.

82.   The Secretariat also provides constituency funding to all implementer constituencies and oversees on a day-to-day basis the administration of the Board Constituency Funding Policy,

which describes the GF support provided to implementer constituencies in order to strengthen their engagement in the GF's governance.

c.   Areas for improvement

There is a certain tension in the relationship between the Board and the Secretariat.

83.   Although there have been improvements in the relationship between the Board and the Secretariat, the interview and survey responses demonstrate that there is a perceived lack of trust between the two. The *Relationship with the Secretariat* is the lowest scoring survey section (with an average score of 0.6). Within this section, the response on whether there is a clear understanding of the different roles of the Board and Secretariat, was the second lowest ranked with an average score of 0.2.

Exhibit 6: Responses to: *"There is a clear understanding of where the Board's role ends and the Secretariat's role begins."*

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
7.8%	39.2%	23.5%	21.6%	7.8%
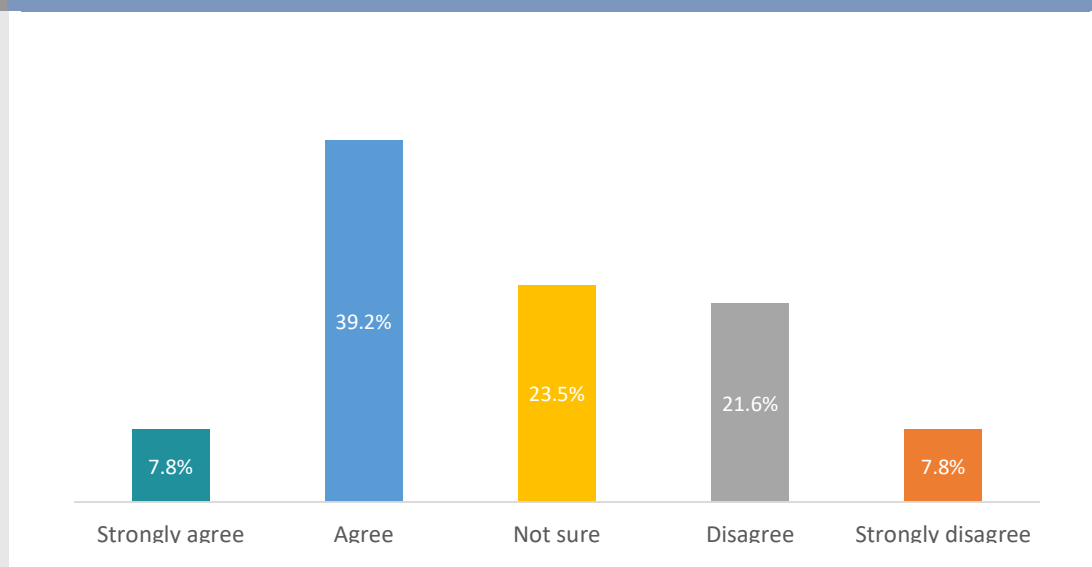
84.   Furthermore, the responses to whether "*There is a clear understanding of where the Board's role ends and the Secretariat's role begins*" are highly divergent between Board members and MEC members. The average MEC view is significantly more negative than that of the Board members on the issue, as can be seen in the exhibit of the top five most divergent statements below.

Exhibit 7: Top five most divergent survey responses

Ranking	Response	Board / Alternate members average	MEC members average	Average rankings
1	There is a clear understanding of where the Board's role ends and the Secretariat's role begins.	0.4	-0.7	0.2*
2	The Board's size is appropriate and effective.	0.9	-0.3	0.6
3	The Board has the right mix of knowledge, skills, and experience among its members.	1.0	-0.2	0.7
4	At the end of the day, constituency interests do not come in the way of Board decision-making that best serves the objectives and interests of the Global Fund as a whole.	0.4	-0.7	0.2*
5	Board member tenure levels (i.e. the length of member service on the Board) promote institutional "memory" without undermining the Board's capacity to think independently and "outside the box."	0.7	-0.4	0.5*

*Note that on average, these responses were also among the ten lowest scoring in the survey.

Responses are ranked by divergence. Please note that they are rounded.

85.   The issues with trust can be related to a variety of underlying factors, including the perceived capability of a person or a body in an organization to "do its job." The divergence in the rankings related to the relationship between the Board and Secretariat might indicate that the Secretariat, given its high level of professionalism (see para. 80), may expect a higher level of skills and experience and therefore more "value added" from the Board, its overseer. This interpretation is supported by the most divergent response being the one on the Board's knowledge, skills and experience. The difference in perceived capabilities may also underlie the degree of "suspicion" that Board members mostly evidence by increasing demands for detailed information. Interestingly, the roles of the Board versus the Secretariat are relatively clear in the governance documentation.

"The clarity of where […] the Committees or Board should get involved [and] what they should leave for the Secretariat is a constant source of friction… you do [see] constituencies [trying] to get involved in levels which I don't think they should be involved in."

"The Secretariat [tells us] 'Well, that's not your mandate.' Or 'We don't give out details.' I do sympathise [but] it is frustrating that the Secretariat determines what the Committees can and cannot talk about."

86.   The issues around trust can also be related to reliability, or how likely someone is to do what has been promised. This perception builds on past performance and to a person's or organisation's intentions for doing something. "Reliability gaps" are usually addressed

through more transparency: a doubting principal will be convinced of the reliability of its agent if they see more information on how they discharge their responsibilities. But there is clearly an opportunity cost in providing more and more information. The Secretariat's available time is finite and hence the more time it spends addressing extensive requests for information to fill the "reliability gap" the less time it will have available to deliver on the GF's mission and mandate. The Secretariat and the GF's governance instance should become conscious that there is a delicate balancing act to perform in this respect.

87.   When it comes to trust there is always a legacy effect, i.e. trust levels of today are based on perceptions and experiences of the past. What some may perceive as the "Secretariat withholding information" may have been an attempt to make documentation shorter and information more concise. We observed that the Secretariat pays very close attention and "manicures" the framing and phrasing of issues as well as the process of meetings.[20] This is likely a result of past experiences and may be a rational response given the relative asymmetry of knowledge skills and experience discussed above. But it can also give rise to a "coded" language where a frank exchange on sensitive issues becomes difficult. There seems to be a fair bit of pre-emption and anticipation of reaction when preparing for Board and Committee meetings on the side of the Secretariat. While this may provide needed tact and diplomacy, it can also create distance and prevent a dynamic exchange.

88.   As per above, the Secretariat should focus on finding the delicate balance between arranging things in ways that are acceptable to the Board without generating significant opportunity costs impacting on the delivery of GF's mission. Trust is process over time: the result of the ongoing patterns of relationship building, communication, actions, listening and behaviour.

89.   To improve trust levels, work needs to be done on different levels. The issues around asymmetries of experience and capabilities can to a degree be resolved by specific actions like training and targeted "behavioural" induction of incoming governance officials, but also induction on the broader field i.e. understanding GF action on the ground with which they might not be familiar thought their constituency experience.

90.   However, issues of trust related to entrenched patterns and mental models are generally difficult to address by induction alone. What is needed is a sustained focus on shifting behaviours and an awareness of the perception of the other parties involved on one's own behaviour. While better induction and longer tenures (discussed in Section III.C) are helpful, the GF should also consider two other ways of tackling the trust issue over time: one is "softer" in nature and aims at enhancing behavioural consciousness among individua actors; while the other is more process-driven and is essentially a check on the former, a "mirror" through which governance actors on both sides look at their recent past behaviour. (see Rec.10).

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[20] The so-called "stage setting" performed by the Secretariat refers to a very detailed procedural and process guidance to the Board and Committee chairs by the Secretariat on how they should go about leading a particular body. While this does have a positive effect on consistency of governance practice, especially given very short tenures, it does discourage leaders from exercising initiative and thus might be unwittingly helping to perpetuate a sense that everything is "controlled" by the Secretariat which in its turn might generate lower than optimal trust.

d.   Recommendations

Rec.10 The GF should use a multi-tiered approach in addressing tensions between the Board and Secretariat:

  a. More (and more varied) "field" induction of governance officials ensuring that they are familiar with the work of the GF in areas not directly affecting their constituency.

  b. Induction should include a workshop on organisational behaviour and trust:

  - Such induction should include a self-reflection mental toolkit to encourage people to look at what they do and how they do it: Do I need this additional information now? Have I already received this information? Can I find it somewhere else? Does the timing and tone of my request take into consideration the sensitivities and well-being of the addressee?

  c. The GF can establish a set of "Governance Effectiveness Indicators" to keep under review specific areas of governance-related behaviour e.g. number of emails / additional information requests etc.

  - Partly to "feed" these indicators, the GF should establish a more organised "gateway" from the Board / Committees to the Secretariat, so that requests can be assessed *ex post* for their compatibility with the mandate of the relevant body and their reasonableness in terms of opportunity cost;

  - The EGC would monitor and report on the Governance Effectiveness Indicators to the Board Leadership.

  - Under the Board's leadership, discussion of these matters between Board Leadership, Committee Leadership and the CEO should figure regularly in Coordinating Group discussions, also reviewing progress and behavioural and procedural changes. One-on-one discussions between the CEO and Board Leadership / Committee Leadership should supplement these exchanges.

C.   Board composition

a.   Summary

91.   There is great appreciation of the diversity of the Board's composition, with political "heavy hitters" on the Board ensuring that matters discussed are addressed at government level. However, high levels of turnover do not appear to ensure institutional memory: on average, the GF Board members have lower tenure levels (1.6 compared to 2.6 years), and term lengths (2.0 compared to 3.3 years), than the averages of its peers. We recommend that the term length of Board and Committee members is increased to three years.

b.   Strengths

The constituency Board nomination process is clear and transparent to the members of respective constituencies.

92.   While the Board is only responsible for providing guidance on Board member nomination to constituencies, constituency members seem generally satisfied with the nomination process of their constituencies.

"The Board effectively represents various constituencies that have a stake in the GF's success."

The GF has several "heavy hitters" on its Board.

93.   The Board has various members who hold senior positions in the government, non-profit and private sectors, mirroring the high professional standard of the GF's senior management.[21] As a multi-stakeholder organisation whose objective is to address global health issues through in-country projects, having such members increases the likelihood that the issues discussed at the GF Board / Committee meetings reach the respective governments.

94.   Interviews indicated that constituency members e.g. Board members, alternate members, focal points might be, or were in the past, members of the boards of other multi-national organisations (e.g. the GF's partner organisations). This allows for the exchange of perspectives on how issues in common may be addressed.

c.   Areas for improvement

Tenure levels and term limits of Board members do not promote institutional memory.

95.   As of December 2020, the current average tenure of Board members was 1.6 years. In contrast, the average tenure of board members in IFIs (including multi-stakeholder organisations) in the end of 2018 was 2.6 years.

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[21] See para. 80

Exhibit 8: Average tenure of Board members in IFIs in 2018[22]

IFI	Average tenure of Board members in 2018
International Bank for Reconstruction and Development (World Bank)	2.0
International Monetary Fund	2.8
European Investment Bank	2.9
European Bank for Reconstruction and Development	2.2
Black Sea Trade and Development Bank	4.1
Asian Development Bank	1.2
African Development Bank	2.3
Inter-American Development Bank	1.6
Nordic Investment Bank	4.3
Average	**2.6**

96.   High Board and Committee turnover may not allow the governing bodies to build the requisite collective institutional memory necessary for effective performance. As shown below, almost half of the survey participants were "Not Sure" or "Disagree" that Board member tenure levels are adequate, making this the fifth lowest scoring response in the survey.

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[22] Nestor, S. 2018. "Board Effectiveness in International Financial Institutions: A Comparative Perspective on the Effectiveness Drivers in Constituency Boards". AIIB Yearbook of International Law.

Exhibit 9: Responses to: *"Board member tenure levels promote institutional 'memory' without undermining the Board's capacity to think independently and 'outside the box.'"*

7.8%	51.0%	23.5%	13.7%	3.9%
Strongly agree	Agree	Not sure	Disagree	Strongly disagree
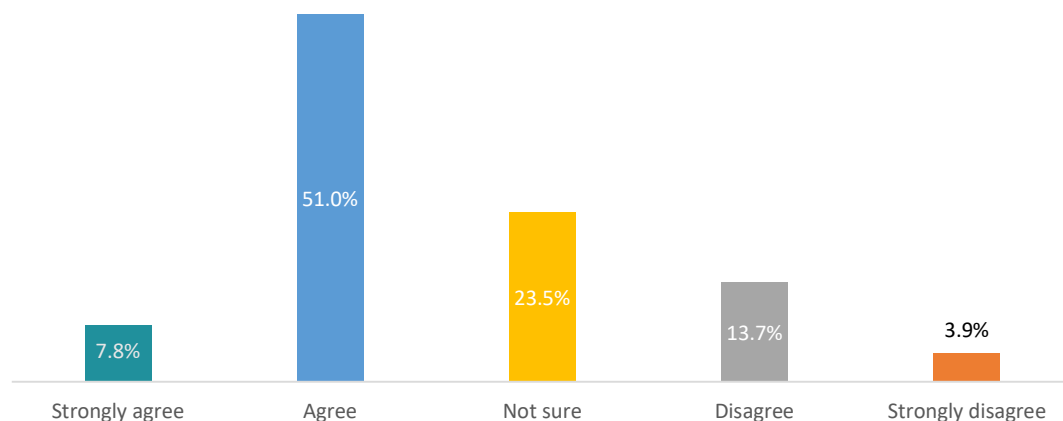
97.   In addition, current tenure levels may also create additional workload for the Secretariat making it too "governance" instead of operations focused.

"Our Board turnover means that there is a need of a constant training [of new Board members]. It is quite a burden, as you are aiming at a moving target."

98.   Interviews indicated that constituencies have different ways of regulating terms and tenure due to perceived need of representing all their members. Constituencies which include a large number of countries have particularly high turnover rates, with Board members rotating every two-year term as they aim to ensure that there is equal representation amongst different countries. On the positive side some civil society and implementer constituencies employ a practice of appointing a Board member who was previously an Alternate member, ensuring that he / she has developed sufficient knowledge of the GF i.e. the Board member overall spends more than two years at the Global Fund.

Different constituency approaches to Board appointments are one of the reasons we have proposed a structurally different approach to constituency Board representation in Section IV.

"You have a relatively high turnover, although in some areas people seem to be there forever."

"The two-year [term length] is too short. I wish I were here a year before."

99.   As shown in the table below, Board members at Gavi and the EIB have longer term lengths in comparison to the GF. At the World Bank, although Board member terms are for two years, the term length of the President, who is also the Chair of the Board, is five years.

Exhibit 10: Comparison of Board member term length across the GF, Gavi, EIB and the World Bank

The Global Fund	Gavi	EIB	World Bank
2 years	3 years	5 years	2 years

100. We understand that there are different dynamics for senior government officials versus other Board members, with the former not necessarily able to commit to the GF for longer periods. However, and as a general rule, we see clear value in the GF increasing the Board and Committee member term length to three years.[23] This would allow members to better understand the GF and hence better contribute to the work of the Board / Committees. The GF should also consider increasing the current tenure levels of Board Leadership (see Rec.20).

There is a lack of experience on the Board in leading large non-governmental or commercial organisations with high standards of effectiveness.

101. Currently, seven out of 28 Board members have extensive leadership experience in leading large organisations, focused on efficient delivery of goods and services (whether in the public or private sectors). This might explain the relatively low score on the statement about adequacy of the Board's knowledge skills and experience— as shown in the exhibit below, 68.2% of survey respondents "Agree" or "Strongly agree" that the "right" people sit around the table. This is underlined by the divergence between MEC and Board / Alternate members on the issue as seen in Exhibit 7.

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[23] Note that tenure length of Board Leadership is discussed in Section III.F.c, with the recommendation to extend tenure length to three years as well.

Exhibit 11: Responses to: *"The Board has the right mix of knowledge, skills, and experience among its members."*

Strongly agree	13.7%
Agree	54.9%
Not sure	19.6%
Disagree	11.8%
Strongly disagree	0.0%
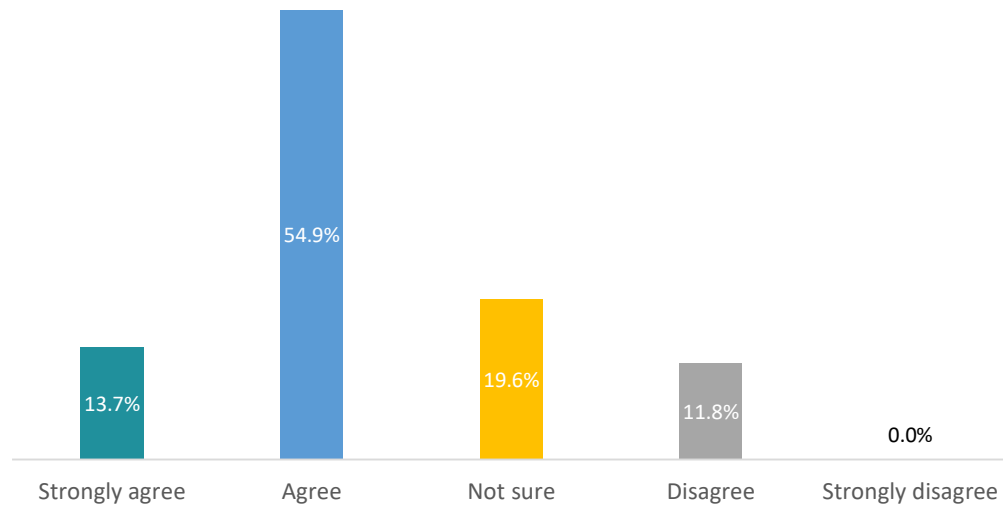
"The profile of Board members is often similar e.g. public administration. We miss representatives of science / private sector / finance / business management."

102. The Board may benefit from appointing additional members who could bring expertise in a number of critical areas such as investment, auditing and fundraising but most importantly experience from leading large non-governmental or commercial organisations with high standards of effectiveness. As suggested in Section 0 the EGC should develop a Board skills matrix, which would ensure that the expertise described above is present on the Board.

If broader governance changes outlined in Section IV are accepted, the Board would increase in size and have more independent members, including from the private sector.

d. Recommendations

Rec.11 The term length of Board members, Committee members and Committee Leadership should increase to three years.

> **Rec.12** As a part of induction, the GF should hold workshops to clarify and explain some Board processes such as nomination processes and the process for performance assessment of Board direct reports (see section 0).

D. Board functioning, dynamics and decision-making[24]

a. Summary

103. Board Leadership intentionally encourages inclusive discussions at Board level, for example actively including members that may be less confident. However, the ability of members of the governing bodies to participate varies across constituencies and may be stretched or even inadequate given the current volume of Board and Committee packs. This also places a burden on the Secretariat in preparing and supporting such participation. We propose that the Secretariat should decrease the volume of Board and Committee packs by limiting the size of board documents to no more than twenty pages and focusing on the quality of the executive summary which should highlight key strategic issues, provide an overview of the "trail" of the paper, and signal potential risks associated with the proposed action. All other reference and background documents should be available on the governance portal, and such portal may be further updated to enhance interactivity and provide access to a well-structured archive of Committee decisions.

104. In addition, the assessment evidenced limited challenge in discussions during meetings of the governing bodies due to predominantly two-way communication between the Board / Committees and Secretariat, and the continued practice by some Board members of reading from pre-written constituency responses. To address this, the GF can consider hosting informal engagements such as seminar / workshop discussions on issues that do not require (or precede) a decision by the Board / Committees.

b. Strengths

Constituencies often engage outside of formal Board / Committee meetings.

105. There are several informal interactions between constituencies outside of the Board / Committee meetings, which can enhance inter-constituency relationships. These include events, such as francophone lunches organised by the France constituency, and constituencies collaborating prior to Board / Committee meetings to discuss matters on the agenda. In addition, from March to November 2020, there were forty informal Board calls and intersessional meetings, and eleven informal Committee calls and intersessional meetings.

106. Furthermore, in order to facilitate collaboration, the Eastern and Southern Africa (ESA) and West and Central Africa (WCA) constituencies have established a technical resource centre —the "African Constituency Bureau."

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[24] We understand that while we observed only virtual Board and Committee meetings, these dynamics may also be present in physical meetings.

Overall, the Governance Team provides effective support to the Board.

107.　The support which the Secretariat provides to the Board has significantly improved over the past few years. The Secretariat has a strong Governance Team which performs diligent work in running a complex governance system quite smoothly. The Governance Team supports Board and Committee members in fulfilling their responsibilities and ensures that the governing bodies have the necessary tools and processes in place to effectively discharge their responsibilities. As mentioned, the quality of reporting to the governing bodies has been high (Section B.a).

> *"A lot of applause for the work of the Secretariat— the workload has been enormous."*
>
> *"[The GF has a] fantastic Secretariat filled with people committed to the vision."*

Board Leadership promotes inclusiveness in Board discussions (e.g. including members that are less confident).

108.　The GF Board Leadership actively involves different people in critical discussions and often intervenes to give more voice to the less participative implementer constituencies thus ensuring a balance between the views of different constituencies.

The GF has a well-structured governance portal.

109.　The GF governance portal is well structured with a variety of folders that contain Board and standing Committees documents. The portal also includes an interactive calendar of upcoming decisions, major meetings and internal activities which have impact on the Board; constituency responses, searchable archive of Board decisions; and a discussion forum capability, for constituencies to comment on certain items (e.g. pre-reads with video presentations) which could not be discussed in meetings.

c.　Areas for improvement

The volume of Board and Committee packs increases the workload of Board members and diverts the Secretariat from more value-accretive activities.

110.　Both survey responses and interviews indicated that the volume of Board and Committee packs is excessive and counterproductive to the functioning of the Board, Committees and Secretariat. The response on the volume of documentation is the sixth lowest-ranked response in the survey, with responses across all participant groups being fairly consistent.

Exhibit 12: Responses to: "*The documentation which the Board receives before meetings is of the right volume.*"

Strongly agree	7.7%
Agree	51.3%
Not sure	23.1%
Disagree	17.9%
Strongly disagree	0.0%
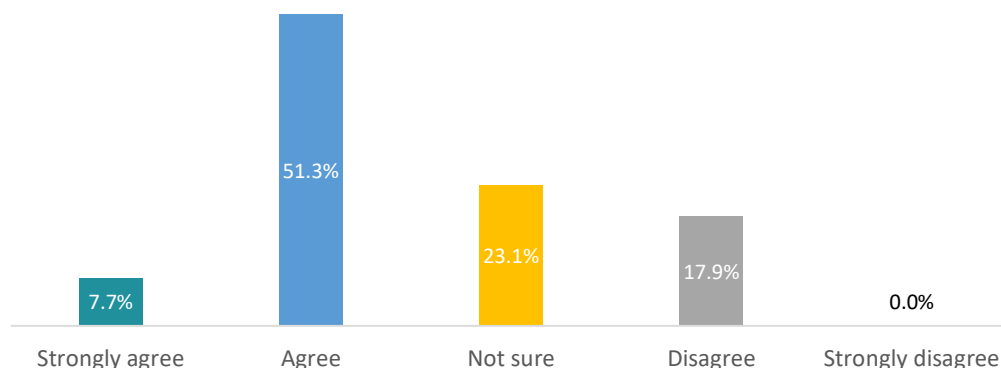
111. The volume of Board and Committee packs may hinder the ability of constituencies to effectively participate in the Board and Committee meetings, particularly of those constituencies that do not have strong resourcing capacities.

> *"The number of documents [...] is a challenge for some constituencies in terms of capacity and the coordination that they need to do before meetings to be able to come to a decision."*
>
> *"The volume requested is too high and is both difficult to process for Board members and difficult to produce for the Secretariat."*

112. For the Secretariat, the level of effort required for the preparation of the extensive documentation ahead of the Board and Committee meetings may divert extensive resources.

113. The Secretariat should decrease the volume of Board and Committee packs by limiting document length to 20 pages while ensuring that the documents provided allow Board / Committee members to effectively participate in discussions. Such documents should include concise executive summaries which should highlight key strategic issues, provide an overview of the "trail" of the paper, and signal potential risks associated with the proposed action. All the reference documents for additional information should be easily accessible and available on the governance portal, and not included in Board packs.

The governance portal could be further strengthened.

114. To further improve the functionality of the governance portal the GF should consider providing links to an archive of Committee decisions and extending the capabilities for discussion forums, currently limited to items that were not discussed in meetings, to include any relevant governance matters. It should also be ensured that all the folders are regularly updated to include all the recent documents from the latest meetings of different

governing bodies. In making any improvements to the governance portal, user feedback should be considered.

There is limited challenge and critical discussion of issues during Board and Committee meetings.

115.   There is a lack of discussion across and between constituencies during Board and Committee meetings. Board meetings instead seem to involve two-way communication between the Board and Secretariat, with the Secretariat presenting and then responding to comments and questions from Board members. Board Leadership seem to "direct the traffic" of the conversation and do not provide input and challenge. While Board and Committee meetings are indeed an important accountability mechanism for the Secretariat, the dynamic of the Secretariat presenting and responding limits the degree of critical input provided by Board members and may negatively impact the relationship between the Board and the Secretariat. In addition, in some cases similar presentations were provided by the Secretariat to different governing bodies, which may not be the most effective use of time.

116.   To limit the two-way communication between the Board and Secretariat, the Secretariat should consider identifying in the documents submitted to the Board prior to the meeting, the key questions that it would like the Board to discuss. This would encourage the Board to discuss the implications of the information / analysis in the document. When possible, the Secretariat could also present options with their pros and cons to the Board, in order to encourage discussions on these matters.

117.   The quality of Board discussions is further impacted by some Board or Alternate members reading from the pre-written constituency responses, rather than engaging in a constructive manner. Given that the constituency responses are submitted prior to the Board meeting and are uploaded on the governance portal, they should not be read aloud during the meetings. To this effect, the Chair should simply note before the discussion of each item that there are specific written interventions by delegations in the portal. Board members should be encouraged to put forward ideas on the agenda items presented which can be supported with relevant key points from the constituency responses. It should be ensured that all Board and Committee members are aware of the exact location in the governance portal where the constituency responses are published before meetings.

> *"The Board discussions are artificial because the Board members are just repeating already what they said in the response that was sent to the Board prior to the meeting."*

118.   In addition, in order to further enhance Board member loyalty and accountability to the organisation, the Board should hold more closed meetings. At the same time, the organisation of seminars and smaller "one off issue" meetings beyond the formal Board / Committee meetings would allow constituencies to be more involved in the GF's governance. To do so, similar to the World Bank (see Exhibit 15), the GF should consider having informal Board engagements, akin to the in-person gatherings outside of Board meetings organised in the past. A format to consider could be seminar discussions on the issues which do not require a decision by the Board / Committee.

119.   The Secretariat should organise such seminars on items that need to be discussed, but do not require decisions, open to all Board Committee and constituency members. Depending on the items to be discussed, the Board Leadership may appoint a panel of different Board

/ Committee / constituency members as panel members to ask questions and lead discussions. Examples of relevant discussions could be those that were held with the Board and each Committee on the GF's *COVID-19 Response & Business continuity*.

120. The composition of any panels during seminars should be balanced over time and could be decided by the Coordinating Group. Any such engagements should be scheduled bearing the workload and timelines of Board and Committee members in mind. Having these alternatives to Board / Committee meetings may improve dynamics by encouraging open dialogue and exchange of opinions between different constituencies.

Exhibit 13: Different types of Board engagements at World Bank		
Technical briefings	**ED's seminars**	**Thematic Groups (TGs)**
• Technical briefings are provided by Management for interested EDs and their staff to exchange views on technical aspects of a specific policy in an informal setting, typically prior to consideration by the Board / Committee. No minutes or transcripts of Technical briefings are maintained. • There must be a link between the technical briefing and an upcoming Board engagement. • The total number of technical briefings should not exceed four per month. • The length of technical briefings should generally not exceed one hour	• Seminars provide an opportunity for informal discussions on strategic topics of interest to the Board. The subject of an EDs' Seminar does not have to be linked to a specific Board/Committee discussion. No records or transcripts are maintained for EDs' Seminars. • A request for a Seminar should come from at least five EDs. Management can request a Seminar on a specific topic after consultation with the Corporate Secretariat. • Seminars should be organized on selective topics and should be limited in number. • The duration of Seminars should not exceed two hours.	• Thematic Groups are organized by Advisors who have an interest in a specific sector / theme. Thematic Groups are informal meetings that are typically organized to prepare for an upcoming Board / Committee discussion. No minutes or transcripts of Thematic Groups are kept • Thematic Groups generally have a focal point within ED offices who interacts with Management on a specific theme/sector and takes the lead in organizing these Thematic Groups • The organisation should be coordinated with the Corporate Secretariat to ensure coordination with other items in the Board's work program.

Some constituencies feel that their "voice" goes unheard.

121. Interviews revealed a degree of inter-constituency tension, with some constituencies feeling that their voices go unheard. This could be explained by a number of issues including differing levels of technical support for donor and implementer constituencies. There is a general recognition that different constituencies have uneven resources and conditions for engaging before and during Board meetings. On one hand, civil society and donor, constituencies tend to have more resources, allowing for better engagement on both inter- and intra-constituency levels. On the other hand, implementer constituencies and / or

constituencies that represent many different actors often do not have the same level of dedicated resources, which limits their ability to prepare and contribute.

122.   There have been attempts to improve the level of technical support for African constituencies through the establishment of the African Constituency Bureau. Additionally, the Secretariat makes efforts to address differences in capabilities among the constituencies by providing constituency funding to implementer constituencies and through other means (see Section B). However, further actions can be taken to support constituencies with limited resources. As previously mentioned, (Rec.13), decreasing the volume of Board and Committee packs will increase the ability of constituencies to contribute and prepare for Board and Committee meetings.

123.   Other factors that contribute to a lack of certain constituency "voice" include a different ability to engagement in the virtual environment (see Section 0); and a tendency of the "big" contributors to speak first or early while others take the floor later, often with less time available to speak, or not at all. While conditions for all to speak early may seem equal, more behavioural nudges by Board Leadership towards broadening meeting participation could be explored. For instance, Board Leadership, with the help of the Governance Team, could monitor the time / order of speaking and rotate first three speakers and / or actively seek out those who have not spoken.

124.   To ensure equal participation of constituencies in the meetings the GF could consider organising group discussions across constituencies; inviting Board members to suggest items for discussion; and asking Board members to rank the priority of agenda items and allocate time accordingly.

Board efficiency can be improved by retaining learnings from the virtual environment during non-crisis times.

125.   The GF should consider applying some of the learnings from the virtual environment in its post-COVID-19 day-to-day practice, including some of the "nudges" identified in Rec.19, or views from. It should move away from the practice of reading pre-written statements during Board meetings, moving to their posting in the Board portal or the "chat box." It should also consider changing the format of fewer long meetings per year, towards a format of more interspersed, shorter meetings on specific issues, sometimes in virtual seminar format for topics that do not require decisions (see para 118). In general, we believe that the GF should consider moving towards a "blended" approach to meetings, along three categories: formal online board meetings; more informal engaging online updates/seminars on specific issues; dynamic in-person meetings of the Board and the Committees, fewer times a year. This would require being explicit about what is done online and what is done in person.

126.   When physical meetings resume, Board and Committee observation by non-members should remain virtual to avoid having too many people in the room, which might be hindering the quality of discussions.

If the structural changes outlined in Section IV were to be implemented and the proposed Constituency Assembly is established, it would provide an opportunity for constituencies to meet and socialize in person.

d.   Recommendations

Rec.13	The volume and content of Board and Committee packs should be reviewed. Board / Committee documents should not be more than 20 pages long (excluding the budget and work plan and other key strategic documents and reviews) and include an executive summary. All reference documents should be mentioned and available on the portal, not included in board packs.
Rec.14	To encourage Board discussions, the documents in the Board pack should include key questions for Board discussion. When possible, Secretariat could also present options with pros and cons, to encourage discussions on these matters.
Rec.15	The Secretariat should organise seminars on items that need to be discussed, but do not require decisions open to all Board Committee and constituency members. Depending on the items to be discussed, the Board Leadership may appoint a panel of different Board / Committee / constituency members as panel members to ask questions and lead discussions.
Rec.16	To enhance inclusivity and ensure equal participation of constituencies in the meetings Board Leadership could utilise behavioural "nudges", such as monitoring the time / order of speaking and rotating the first three speakers and / or actively seeking out those who have not spoken. These could be included in the Governance Effectiveness Indicators suggested in Recommendation 10. The GF could also consider: a. Organising group discussions across constituencies; b. Inviting Board members to suggest items for discussion; c. Asking Board members to rank in order of priority the agenda items and then allocate time accordingly.
Rec.17	The functionality of the governance portal may be further upgraded to improve interactivity and provide access to past Committee decisions. The governance portal should also allow members to discuss any governance matters that they deem pertinent.
Rec.18	On the basis of COVID-19 era learnings, Board efficiency can be improved by a wider spreading of the Board / Committee agenda over the annual period. The Board should also adopt a "blended" approach to meetings by structuring the annual calendar to include formal online meetings; informal online engagements (Rec.15) as well as physical meetings.

E.   Board engagement in virtual settings and during the COVID-19 crisis

a.   Summary

127.   The governance system has proven to be versatile and successful in adapting to the crisis environment, including the use of virtual meetings, pre-recorded Secretariat presentations, weekly and bi-weekly Board update calls hosted by the Secretariat, and an expedited decision-making process for urgent issues. However, interviews and survey responses indicated that the transition to a virtual setting has also affected the depth of discussion while the loss of informal interactions might have weakened the rapport between constituencies, and between them and the Secretariat.

b.   Strengths

The work of the Board and Committees has adapted well to virtual arrangements and the crisis.

128.   As indicated in the exhibit below, 87% of survey respondents "Agree" or "Strongly agree" that the Board and Committees have been functioning well in the virtual context, making it one of the top-10 highest scoring responses, with an average score of 1.1.

Exhibit 14: Responses to: *"The work of the Board and Committees has generally adapted well to virtual arrangements and the crisis"*

Strongly agree	27.3%
Agree	59.7%
Not sure	13.0%
Disagree	0.0%
Strongly disagree	0.0%
Mean	1.14
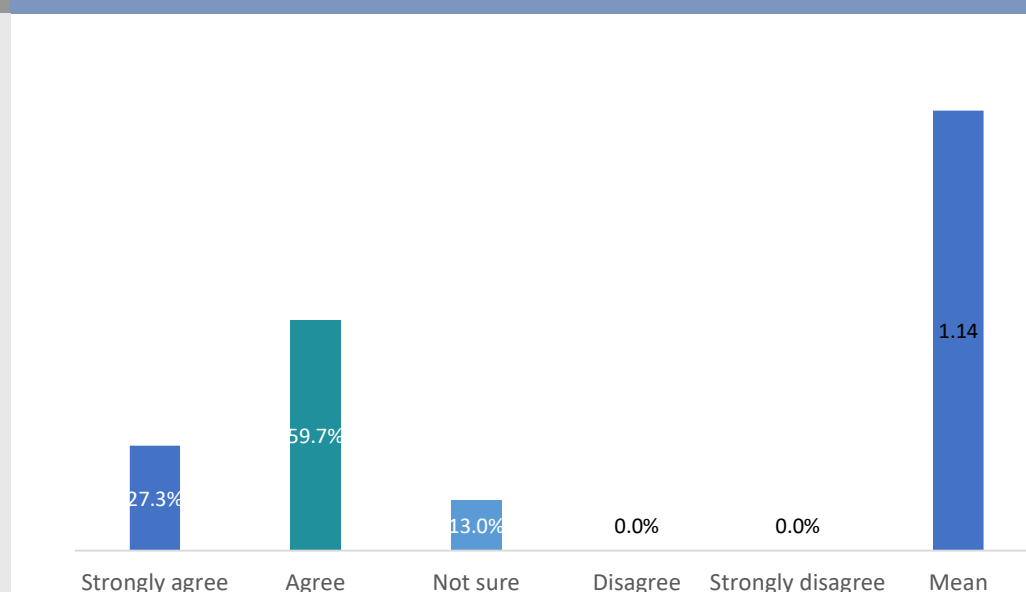
Working in the virtual setting has led to improvements in efficiency and communication.

129.   The crisis environment has pushed the GF to adopt new processes and go beyond its usual dynamics. To keep the Board informed in the crisis environment, the Secretariat, on the ED's initiative, holds weekly and biweekly Board calls, keeping the Board informed while avoiding the formal encumbrances of a Board meeting. The proactive and frequent communication from the Secretariat and Board Leadership during the COVID-19 crisis has been widely appreciated.

130. In March 2020, Board Leadership, in consultation with the Coordinating Group and following calls with constituencies, agreed on an expedited decision-making process in order to address urgent issues in the COVID-19 setting. 81.8% of survey respondents "Agree" or "Strongly agree" that the expedited decision-making process has been efficient in the past few months during the COVID-19 crisis.

Exhibit 15: Responses to: *"The expedited decision-making processes of the Board and Committees have been efficient over the past few months during the COVID-19 crisis"*
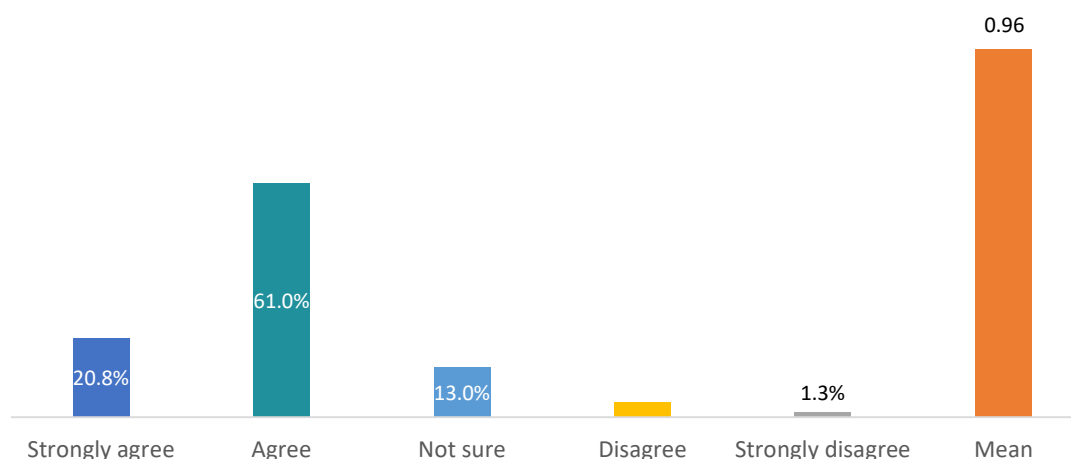
131. This was a step forward for the GF and demonstrated how governance can adapt to a fast-moving environment. As noted earlier, certain aspects of this experience may provide useful guidance on the future planning and modalities of Board and Committee interactions going forward.

"Part of understanding that we need quick decisions was about increasing transparency on reporting with fast information and frequent interaction [given the] exceptional fast-moving environment."

c.   Areas for improvement

While the COVID-19-related transition to "remote" Board work has been successful, Board dynamics have suffered a loss of challenge and depth of discussion.

132. While, as mentioned above, the survey responses on the Board being able to adapt and provide strategic guidance in the virtual setting are ranked among the top-10 highest scoring responses, the response on the quality of discussions in the virtual environment is the third lowest scoring response.

Exhibit 16: Board engagement in virtual settings and during the COVID-19 crisis

24.7%	27.3%	6.5%
1.2	1.1	49.4%
70.1%	59.7%	0.4
3.9%	13.0%	22.1%
1.3%		19.5%
		2.6%

| The Board and Committees have proved effective in providing strategic guidance and urgent decision making, to ensure that the Global Fund protects its mission while allowing for an agile response to the ongoing COVID-19 crisis. | The work of the Board and Committees have generally adapted well to virtual arrangements and the crisis. | Virtual meetings have not unduly affected the quality of debates and the level of productive challenge. |

133. Furthermore, interviews demonstrated that the quality and robustness of discussion has gone down and that informal relationship-building, an important pillar of trust between various governance stakeholders, has suffered. Overall, the virtual setting makes it more difficult to keep people engaged, resulting in meeting participants not participating as much as they would during in-person meetings. One way to increase Board engagement in the virtual setting could be to organise breakout groups during discussions in the virtual meetings. Additionally, the EGC could raise this issue and ask Board members for their views on how to make virtual meetings more palatable (see section D for more examples).

"Working from home is leading to fatigue and burnout. [We] are getting less and less conversations [at meetings]. [We had] a Board call with no questions. We've never had that at the Global Fund, ever."

"In some cases, it is not too comfortable to ask some questions or for some clarification during the virtual formal meetings."

"It's harder to deal with rumours and things that fuel mistrust in an online environment."

134. Furthermore, virtual settings may exacerbate the existing imbalance in the ability of certain constituencies to contribute to the Board / Committee meetings, with some constituencies having more technical issues with connecting and staying on the call than others.

Certain processes and practices may limit the time available for discussions in the virtual environment.

135.   Certain processes and practices might be counterproductive to Board and Committee meetings dynamics in virtual format. First, the practice of reading out of pre-written responses during discussion in Board meetings should be discouraged (see Rec.18). In the virtual setting this could be done by placing the statements in the "chat room."

136.   Second, the GF might consider using simultaneous rather than consecutive interpretation during the Board / Committee meetings, as consecutive interpretation limits the time allocated for discussion of agenda items.[25]

137.   Third, any discussion of the agenda items should be moved from the chat room to the "virtual floor" with Board / Committee members being encouraged to use the raise hand function when they want to address a particular point.

d.   Recommendations

Rec.19 In order to further improve Board engagement in virtual settings, the following technical recommendations should be considered:

    a.   Constituency pre-written responses should not be addressed during the time allocated for discussion of agenda items. If necessary, they should be placed in the "chat room;"

    b.   Simultaneous instead of consecutive interpretation should be used;

    c.   Board / Committee members should be encouraged to use the "raise hand" function as opposed to writing in the chat when they want to address a certain point. The chat room should be reserved for constituency responses;

    a.   The Governance Team could organise breakout groups during discussions, especially in seminar formats.

F.   Board Leadership

a.   Summary

138.   Most of our interlocutors noted their great appreciation for Board Leadership's knowledge and understanding of issues at the country level, and their high level of engagement with Board members in both normal and virtual settings. In order to ensure that the benefits of such strong leadership are fully captured, the tenure of Board Leadership could be lengthened from two to three years, with potential for renewal for one additional term.

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[25] We understand that the current provider, BlueJeans, does not have such a function, but that alternative platforms are under consideration in the future.

b.   Strengths

Overall, there is a great appreciation for Board Leadership.

139.   The section on *Board Leadership* is the highest scoring section in the survey with an average score of 1.2. In the interviews, Board members highlighted the effective and complementary relationship between Chair and Vice-Chair, their seniority, their knowledge and understanding of the issues in the organisation and at the country level, and their high level of engagement with Board members in both normal and virtual settings. These strengths positively affect Board dynamics and functioning.

> *"Board Leadership has done a fantastic job in trying to bridge the virtual gap."*
>
> *"The Chair and Vice-Chair are global health figures, so they have a very good understanding of the circumstances and the context in which [the Global Fund] operates."*
>
> *"[There is a] very good understanding between the Vice-Chair and Chair, and it is very important to have a stable relationship between the two."*

140.   Both interview and survey responses showed particularly high appreciation among Board and Committee members for the way the Board Vice-Chair is performing her role. The response on the Board Vice-Chair effectively discharging her responsibilities is the highest ranked response in the survey with an average score of 1.6.

> *"[The] Vice-Chair is a very dedicated person. She works overtime a lot and is passionate about what she is doing."*

Exhibit 17: Responses to: "*The Board Vice-Chair effectively discharges her responsibilities as outlined in the Charter.*"

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
57.4%	40.4%	2.1%	0.0%	0.0%
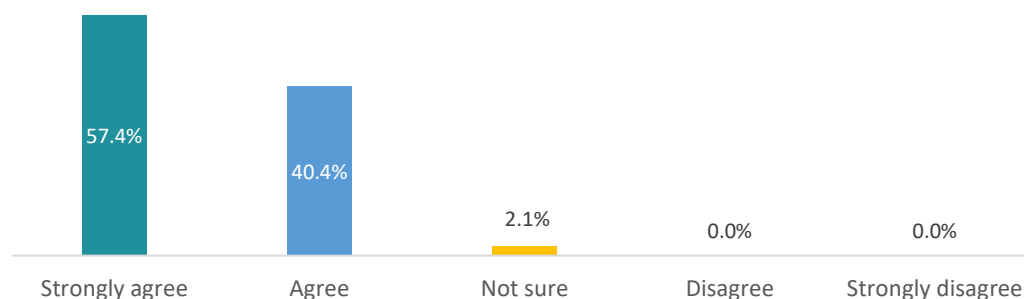
c.   Areas for improvement

Board Leadership term length should be reviewed.

141.   The EGC report *Board Leadership Selection Process 2019*: *Lessons Learned* has identified the term length of Board Leadership as a potential area for improvement, noting that "*the level of effort required to run the selection process, and leadership transition, might require flexibility around the two-year Board Leadership term length which may benefit from the possibility of extension.*"

142.   Longer terms would allow Board Leadership to exercise their role more effectively and lead at least one full strategy and replenishment period more over it would leave more time for the Leadership Team to actually perform their work. Currently, the BLNC spends approximately seven or eight months out of Board Leadership's 24-month term searching for the next Leadership. The problematic aspects of such a short term were particularly evident during the COVID-19 crisis, as can be seen from the quote below.

> *"With Board Leadership, we had to extend their term by another year because it has just been lost because of the COVID-19 crisis."*

143.   In line with the practices adopted by peers, the GF should consider extending the Board Leadership term length from two to three years,[26] renewable for one additional term. As shown in the exhibit below, the term length of the President at the EIB and World Bank is six and five years, respectively; at Gavi, the term length of the Chair is two years.[27] The GF is alone in not allowing a renewable term for even one term.

Exhibit 18: Board Leadership term of selected the GF peers				
	The Global Fund	**World Bank**	**EIB**	**Gavi**
Term	2	5	6	2
Renewable	✗	✓	✓	✓

d.   Recommendations

Rec.20   Board Leadership should be appointed for a period of three years, renewable once.

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[26] As proposed in Rec.11, term length of Board and Committee members may also be extended to three years.
[27] In accordance with the Gavi Alliance Statues of 29 October 2008 Article 12 "The Chair and the Vice Chair shall be selected for an **initial term of up to two years**. The Chair **may be re-elected for a further term** that the Board shall determine, which shall not exceed their remaining term of service as a Board member within the provisions of Article 10." However, the Chair is elected among existing Unaffiliated Board members, Article 10 states that "Unaffiliated Board Members shall serve a term that the Board determines at the time of election, normally three years, or such other term that the Board may determine. All Unaffiliated Board Members may be re-elected for one consecutive term."

G.   Committees and Coordinating Group

i.   Committees

a.   Summary

144.   Committee Leadership is greatly appreciated, with the survey responses on the effectiveness of the leadership of all three Committees among the top-10 highest scoring Committee related responses. Generally, Committees are also seen to have the appropriate collective composition. However, membership of certain Committees is overly politicised, with some constituencies trying to "game" the nomination process by nominating only one candidate for Committee membership. This issue would be addressed through the implementation of the reforms in Committee membership proposed in Section IV, as well as by providing constituencies with a skill matrix (see Section 0) for nominations.

145.   Committees are well-organised, with an annual work plan / rolling agenda. However, the assessment indicated that they are often too ambitious, and more focused on updates than decision items. This may be addressed through establishing dashboards to complement Committee workplans, better allowing Committee members to track the decisions that need to be taken and progress over time.

146.   We also propose several recommendations to streamline or adjust each Committee's mandate: i) to allow the SC to focus more on monitoring / strategy implementation, ii) to allow the AFC to develop a holistic overview of risk, and iii) to ensure the EGC can better focus on the assessment of the GF's governing bodies.

b.   Strengths

The leadership of the Committees is greatly appreciated.

147.   The survey responses on the effectiveness of all three Committee Leadership are among the top 10 highest scoring Committee responses with average scores of 1.4 for AFC Leadership, 1.2 for SC Leadership and 1.2 for EGC Leadership.

Exhibit 19: Effectiveness of Committee leadership

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	Mean
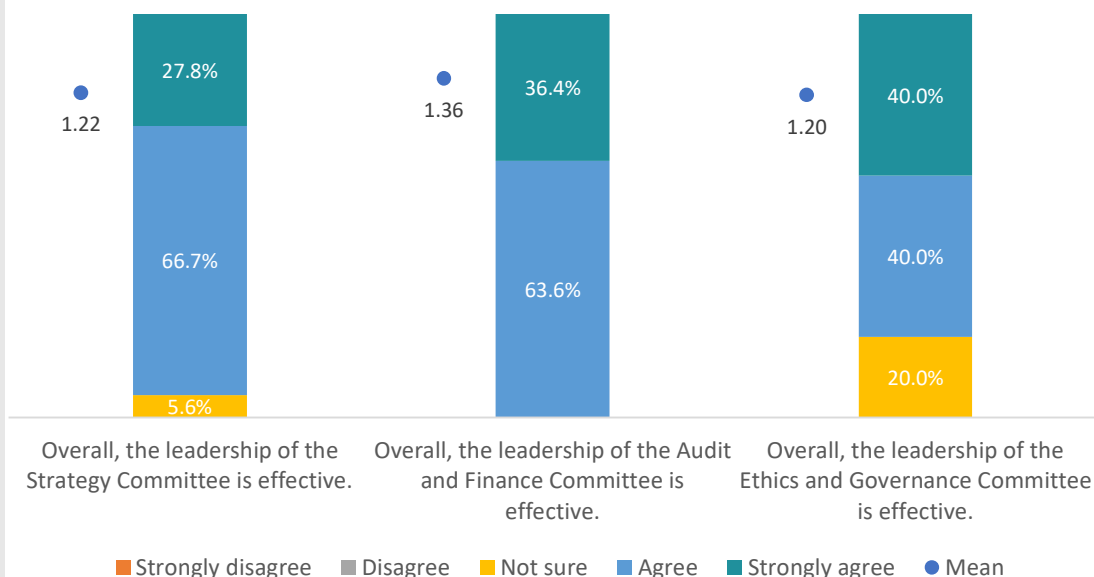
Attendance of Committee meetings by Board and Alternate members from each constituency, as observers, helps to strengthen the relationship with constituencies.

148. As of September 2020, on average each constituency had representatives on 1.4 Committees. Eight out of 25 constituencies had representatives on more than two Committees, including one constituency that was represented on all three Committees. There was no difference between the average number of representatives on Committees of donor constituencies and implementer constituencies.

149. The *Operating Procedures of the Board and Committees (2019)* stipulate that the Board or Alternate member of each constituency may attend Committee meetings as an observer. This helps to keep continuity of knowledge within constituencies, by giving constituencies who do not sit on certain Committees an opportunity to learn first-hand of the Committee's work from its discussions during the meetings.

Committees have an annual work plan / rolling agenda.

150. Each Committee has a comprehensive annual work plan which outlines the meetings that will take place during the year and the items that should be on the agenda for each meeting. Agenda items are arranged according to the areas of Committee mandate to which they correspond and are classified into items "for decision," "for information," "for recommendation," or "for input."

There is a good level of skills and experience among the AFC members.

151. As indicated in the exhibit below, all survey respondents "Agree" or "Strongly Agree" that the composition of the AFC has the right balance of knowledge, skills, and experience.

Exhibit 20: Responses to: "*The composition of the Audit and Finance Committee has the right balance of knowledge, skills, and experience.*"

18.2%	81.8%	0.0%	0.0%	0.0%
Strongly agree	Agree	Not sure	Disagree	Strongly disagree

152.   Interviews also indicated that the composition of the AFC has been improving over time. The Board and Committee members seem to be appreciative of the fact that AFC discussions are informed by both private and public sector perspectives and that there is a good balance of knowledge in audit and risk.

"The quality of the [Audit and Finance] Committee has been going up each year."

"The Audit and Finance Committee has people who have risk and audit experience."

EGC meeting dynamics are good.

153.   The survey, interviews and observation indicated there are good relationships among Committee members and between Committee members and the EGC Chair, which facilitates productive discussions. As indicated in the exhibit below, the response on whether the EGC's discussions are "open and sufficiently thorough" was the top scoring response among Committee-related responses, with an average score of 1.6. The observation of the EGC meeting also evidenced critical discussions on certain agenda items, which led to the proposal of concrete actions.

Exhibit 21: Responses to: *"The Ethics and Governance Committee's discussions are open and sufficiently thorough."*

Strongly agree	60.0%
Agree	40.0%
Not sure	0.0%
Disagree	0.0%
Strongly disagree	0.0%
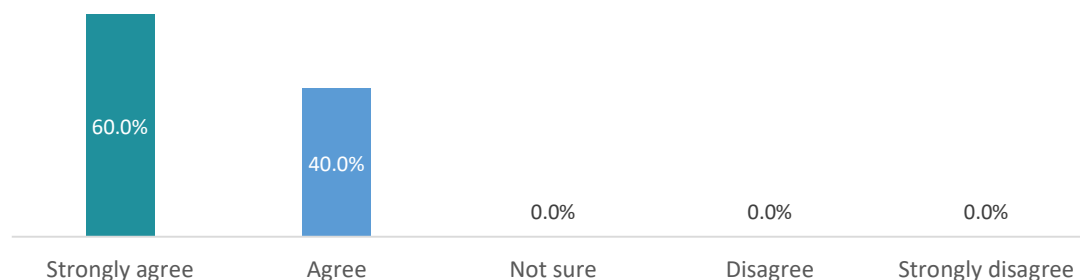
c.   Areas for improvement

While the nomination process for Committee members has significantly improved, it may be in the need of further review.

154.   The Committee nomination process may be partly driven by the internal politics of the GF. There is a perception among some constituencies that not having a seat on a Committee means that they are "missing out" on important discussions. This partially stems from the Committees being, to a large part, separate entities from the Board (see Section III.G.i.c).

155.   As a result, some constituencies nominate only one candidate per Committee to reduce the options for EGC to choose from at the "initial review" stage and guarantee that they secure a seat in the specific Committee. This limits the pool of candidates, ultimately reducing Board Leadership's ability to recommend Committee members to the Board based primarily on their relevant skills and experience.

> *"The pool of candidates was not there for you to [evaluate candidates in the initial review]. It was more confirming that this constituency member is sitting on this Committee, which made me wonder whether we [the Ethics and Governance Committee] are a rubberstamp or we are actually involved in the selection process."*
>
> *"Good candidates are not being considered and the selection process is more focused on the inner circle."*

156.   Ultimately the Committee selection process aims to ensure a balance between representation of constituencies, and the requisite skillset. This could be strengthened by the EGC providing constituencies with a skills matrix, which would identify minimum criteria required for representatives to sit on a particular Committee (see Section 0).

The process around Committee agenda-setting needs to be reviewed.

157. The questionnaire responses indicate that Committees' agendas might require further improvement: the response on the SC agenda is the third lowest scoring Committee-related response, and the response on the AFC agenda is the lowest scoring response in the section on the AFC.

Exhibit 22: Effectiveness of Committee agendas

The number of items on the Strategy Committee agenda is adequate: it permits in-depth discussion, the ability to ask critical questions, and the avoidance of rubber stamping.	The number of items on the Audit and Finance Committee agenda is adequate: it permits in-depth discussion, the ability to ask critical questions, and the avoidance of rubber stamping.	The number of items on the Ethics and Governance Committee agenda is adequate: it permits in-depth discussion, the ability to ask critical questions, and the avoidance of rubber stamping.

■ Strongly disagree ■ Disagree ■ Not sure ■ Agree ■ Strongly agree ● Mean

158. In the interviews, there were comments on agendas being overloaded and too extensive, which affects the quality of Committee discussions. As per the *2020 EGC, AFC* and *SC Workplans* only 14.4% of agenda items were "for decision" in relation to the rest. For the AFC and EGC, the majority of the agenda items were "for information." This feeds directly into the quality of Board and Committee discussions (see Section D), as majority of the time is spent on items that were not "for decision."

"There are often too many items on Board and Committee agendas, reducing the time available for exchanges and real challenge."

"It might help the AFC to try to focus on fewer issues and select those that it feels are most important."

"The EGC agenda is generally extensive."

159. In addition, as mentioned in Rec.13, the volume and content of Board / Committee documents should be reviewed to ensure that members may adequately prepare for the respective meetings and effectively contribute to the discussions.

160. To ensure that the Committees focus more on key issues and key decisions, Committees should establish implementation dashboards that would complement Committees' workplans. Dashboards would help the Committees to track decisions which need to be taken, strengthening their oversight role.

The SC's mandate and scope may need to be further streamlined.

161.   According to survey responses, while SC members view its mandate as appropriate, not all Board members saw the SC as effectively supporting the Board. Furthermore, in contrast to the views that the SC's mandate is appropriate, one-third of SC members "Disagree" or are "Not Sure" that it has an effective agenda (reflecting the mandate).[28]

Exhibit 23: Effectiveness of Committee agendas

Board member views   *Strategy Committee member views*

Board member views:
- Overall, the Strategy Committee is effective in supporting the Board and informing it of its work. — 12.50% Strongly agree, 68.75% Agree, 18.75% Not sure; Mean 0.7

Strategy Committee member views:
- The Strategy Committee's mandate is appropriate. — 27.8% Strongly agree, 72.2% Agree; Mean 1.3
- The number of items on the Strategy Committee agenda is adequate: it permits in-depth discussion, the ability to ask critical questions, and the avoidance of rubber stamping. — 5.6% Strongly agree, 61.1% Agree, 27.8% Not sure, 5.6% Disagree; Mean 0.7

Legend: ■ Strongly disagree ■ Disagree ■ Not sure ■ Agree ■ Strongly agree ● Mean

162.   Currently, the SC has a wide mandate, which contributes to the perception by constituencies that this is where the most important discussions happen. As a result, the SC is the most "politically charged" Committee where most constituencies desire a seat.

> *"The Strategy Committee is the most […] highly-charged Committee."*

163.   Currently, the SC discusses items (i.e. long-term strategy discussions) that would be better placed within the remit of the Board or the informal mechanism akin to a "Committee of the Whole" (Rec.1). Either would strengthen the voice of the Board and its oversight role, and alleviate the feeling by constituencies that they have "missed out" by not being a member of the SC. It would allow the SC greater efficiency in focusing on a streamlined mandate, thus addressing issues related to its agenda.

164.   If a forum similar to a "Committee of the Whole" is established (Rec.1), it could undertake the discussions related to the responsibilities outlined below. Bringing these discussions to a more informal setting in such a forum could enable greater challenge and facilitate greater confidence in the results at Board level.

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[28] As mentioned in Section III.G.

> *Development and review of the institutional strategy of the Global Fund.*
>
> *Strategies for enhancing investment impact and value for money, taking into consideration issues such as epidemiological trends, technological developments, and market-shaping interventions.*
>
> *Adoption of, and modifications to, strategic policies on market dynamics matters such as market-shaping interventions and the sourcing of quality-assured pharmaceuticals, devices and other health products.*
>
> *[Oversight and review of] the overall impact and effectiveness of Global Fund investments in health, including its market-shaping strategy, partnerships and strategic funding decisions.*
>
> SC ToR

165. Overall, the revised SC mandate should focus on discussing technical issues around performance management, evaluation of strategy implementation, and the development of the toolkit that the Board uses to monitor and steer strategy e.g. KPIs and strategy implementation dashboards.[29] In order to reflect the more focused mandate of the SC it could be renamed to the "Strategy Implementation and Evaluation Committee."

The role of the AFC in risk oversight should be strengthened.

166. As mentioned in Section A.iv, the GF could establish an "Audit and Risk Committee," which would allow for better structure and oversight of the risk management function.

167. While reporting directly to the ED, the risk management function and the CRO directly present to the AFC. Interviews also highlighted that the AFC is well equipped to discuss risk.

> *"I think that at the Audit and Finance Committee you have a set of people who do understand how to have sensible conversation about risk."*

168. However, the current focus of the AFC is on discussing fiduciary risks, audit processes and financial control. While specific risks such as programmatic risks affecting impact and effectiveness, and conduct / compliance risks, could still be discussed in depth by other committees (SC and AFC), the AFC is better placed than the latter to have an overall view of the GF's risk map and profile.

> *"Somehow it seems that AFC plays a strong role on financial side and it was left to SC to look at programmatic risk areas. Instead of one discussion about risk it got split into two, and it's hard to bring it back together again."*

169. The GF should consider expanding the remit of the AFC into becoming the main governing body responsible for risk. This would need to be reflected in its mandate, which would need to be revised in line with best practice. The ICSA provides a guidance note on best practice relating to ToRs for risk committees. While the GF might choose not to burden the AFC

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[29] Specifically, the SC would retain its current mandate *except:* 2.1d (see Section III.A.i on TERG); 2.2a, e, f, and 2.3d (these would be responsibilities of the Board and included as topics for the informal Board discussions, see Section III.D); and 2.2i (this would be a responsibility of the AFC and Board, see Section III.A.iv).

mandate to such an extent, it should clearly ensure that key "holistic" aspects of risk are covered by the Committee.

Exhibit 24: Extract from the ICSA's guidance note, "Terms of reference for the risk committee" [30]

"*The committee shall:*

- *Advise the board on the company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the company is willing to take in order to achieve its long-term strategic objectives.*
- *Advise the board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.*
- *Advise the board on the risk aspects of proposed changes to strategy and strategic transactions*
- *Monitor and review the effectiveness of the company's risk management and internal control systems.*
- *Oversee the appropriateness of the company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the company.*"

icsa
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Institute

There is confusion among Board members as to the difference between the EGC's role in the nomination process of the ED and IG, versus its role in the nomination process for Committee members.

170.   Interviews indicated confusion among Board and Committee members as to the EGC's involvement in different nomination processes. The confusion could partially stem from the nomination processes for ED and IG being quite complex (see Section 0 for more details). If the restructuring of the nomination process for ED and IG is undertaken (see Section 0) the terms of reference of the EGC should be accordingly modified.

The EGC could improve its effectiveness regarding the assessment of the GF's governing bodies.

171.   Survey responses indicated that the EGC might not consistently provide effective advice to the Board on the assessment of the Global Fund's governing bodies. This response received the lowest score in the EGC section, and the second lowest score among all Committee-related responses. This might indicate that the EGC is overstretched, with too many evaluation responsibilities within its remit.

172.   The EGC should focus on the evaluation of the GF's governing bodies. Board Leadership should be responsible for the evaluation of the ED (see Rec.3) and the AFC should be responsible for the evaluation of the IG (see Rec.8). In addition, the implementation of Rec.4 on developing a cohesive framework / calendar for all governance assessments would streamline the EGC's work in this area.

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[30] ICSA (2020), Terms of reference for the risk committee, available at icsa.org.uk

> *In accordance with the risk management strategy or related policies approved by the Board: (i) the assessment of risks related to compliance with the ethical values of the Global Fund and the Board's oversight of governance activities; (ii) appropriate risk differentiation to be exercised by the Global Fund in the management of such risks; and (iii) analyses of other risk areas at the request of the Coordinating Group.*
>
> EGC ToR

The scope of the EGC's mandate might require adjustment.

173. The EGC might be devoting a significant amount of work towards processes that divert its attention away from the nomination and assessment processes that are at the core of its functioning.

174. The EGC mandate would be more streamlined if i) the "permanent" Nomination Committee for the IG and ED were to be created at the Board level (Rec.5), ii) the EGC would not play any role in the assessment of IG and ED including the approval of the Guideline for Annual Performance Assessment of Board Direct Reports, and iii) the Audit and Risk Committee were to be established with primary risk-related responsibilities outlined below transferred under its remit (Rec.9). The AFC should also be responsible for "financial and resource implications of the activities of governance bodies" as part of the budget purview in cooperation with the EGC.

d.   Recommendations

Rec.21 The SC's mandate should be further streamlined to focus on developing appropriate KPIs, managing strategic performance, and overseeing project evaluations.

a.   As part of its mandate SC should agree on and regularly review the GF's strategy implementation dashboard;

b.   Key strategic documents should be discussed by the Board in Committee of the Whole;

c.   Broader strategic discussions should be object of strategic seminars and workshops (see Rec.15);

d.   To reflect the streamlined mandate SC could be renamed to the "Strategy Implementation and Evaluation Committee."

Rec.22 The AFC's mandate should be revised so that it is the primary Committee responsible for matters related to risk. Its mandate should be updated and include responsibilities related to following the overall risk map, appetite and profile. It could be renamed to "Audit, Finance and Risk Committee" to reflect its lead role (see Rec.8).

Rec.23 The EGC mandate should be further streamlined by:

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a.	Risk-related and budget-related responsibilities should be transferred to the AFC, in line with Rec.22;
b.	The EGC should not be approving the Guideline for Annual Performance Assessment of Board Direct Reports by which the assessment of IG and ED is conducted (in line with Rec.3 and Rec.8). The EGC should only be responsible for the assessment of the performance of the governing bodies;
c.	If the Board Nomination Committee for IG and ED is created (as per Rec.5) the EGC Leadership should be members, without other responsibilities for the EGC in this area.

Rec.24	Each Committee should have a decision implementation dashboard, which would be a central source for tracking decisions and information relevant to the Committee over time. These dashboards should further enable Committees to focus their agendas more on "for decision" topics.

ii.   Coordinating Group

175.   The Coordinating Group is broadly acknowledged as valuable, but its role and effectiveness are obscured by formality—we recommend that it become a "Chair Group" undertaking on informal coordination of the work of the Board / Committees and support of Board Leadership.

a.   Strengths

The coordinating function among Committee and Board leaderships is a very useful one.

176.   Board and Committee members indicated that they clearly see the value that the Coordinating Group brings to the GF's governance in linking the Committees to the Board. This seems quite right to us given the GF's decentralised Board and Committee structure and the currently significant autonomy that Committees enjoy regarding their composition and authority.

> *"If there is no Coordinating Group to link the Committees back to the Board, we would be operating independently, which is bizarre."*
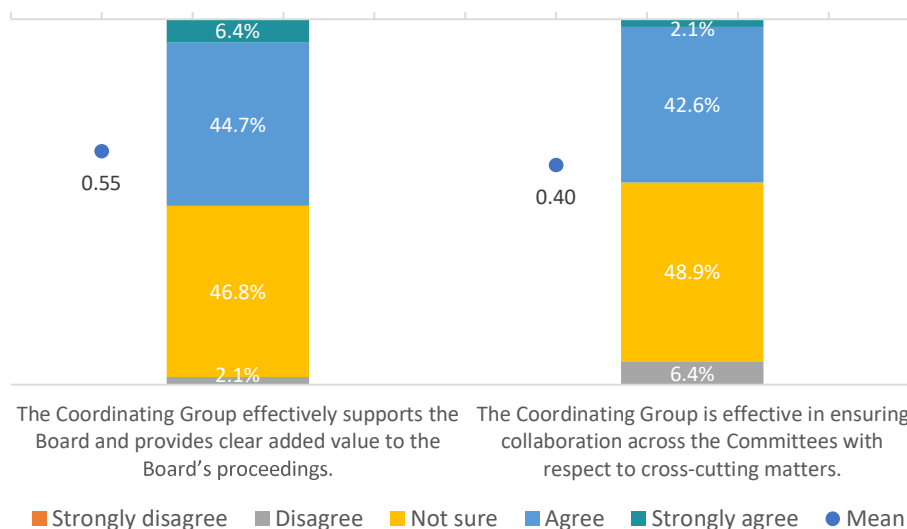>
> *"If the Coordinating Group works well, I think the Committee mandates will follow."*

b.   Areas for improvement

The Coordinating Group's role is not clear to its non-members and may be obscured by too much formality and focus on process.

177.   As per the survey, almost half of respondents were not sure that the Coordinating Group is effective in fulfilling its responsibilities. Board and Committee members were also unclear on the day-to-day operation of the Coordinating Group, with some indicating that they would like it to provide them with more regular reporting.

Exhibit 25: Survey responses to the section on the Coordinating Group

	The Coordinating Group effectively supports the Board and provides clear added value to the Board's proceedings.	The Coordinating Group is effective in ensuring collaboration across the Committees with respect to cross-cutting matters.
Strongly agree	6.4%	2.1%
Agree	44.7%	42.6%
Not sure	46.8%	48.9%
Disagree	2.1%	6.4%
Mean	0.55	0.40

■ Strongly disagree ■ Disagree ■ Not sure ■ Agree ■ Strongly agree ● Mean

"The Board does not know what the Coordinating Group does."

178.   This concern from Board and Committee members is likely rooted in the impression that the responsibilities of the Coordinating Group are quite formal, which is also evidenced in its mandate. The Coordinating Group ToR requires it to "*regularly communicate feedback, advice and / or recommendations directly to the Committees of the Board*" and, ahead of each Board meeting, provide "*a summary of its key activities since the prior Board meeting, in addition to specific ad-hoc reports that the Board may request from time to time on key topic.*"

179.   The Coordinating Group, as we see it, should not be a governing body with formal responsibilities, reporting to the Board. The Coordinating Group's role should be similar to the one of the "All Chairs Group" at Gavi which supports Board Leadership in the efficient and effective fulfilment of their duties and responsibilities.

180.   The Coordinating Group's (or "Chair Group's") responsibilities do not necessarily need to be as detailed and formal as they are now. The Coordinating Group should meet under the responsibility of Board Leadership and focus on informing and supporting it in performing its duties and coordinating with Committee Leadership. As an "informal" gathering, there is no need to overburden the Coordinating Group with the requirement to provide regular reporting to the Board and Committees. Such reports are effectively provided by Committee and / or Board Leadership directly.

181.   The GF should ensure that this is communicated and clarified to the Board and Committee members.

"It would be great if the Coordinating Group was seen just as…leaders catching up. It is very agenda driven and [focuses on] what you want to report on."

"I think it is a space for sharing information and making sure that everyone has the same level of understanding broad issues. To that extent, it fulfils its role of being a Coordinating Group."

c.   *Recommendations*

Rec.25 The Coordinating Group should be replaced with a "Chair Group," which would focus on effectively coordinating the work of the Board and supporting Board Leadership in discharging its responsibilities; this role should be clarified to Board and Committee members.

IV. Issues with the broader governance structure

a. Summary

182. The primary focus of this assessment is the effectiveness of the GF's governing bodies as detailed in the key findings of this Report (Section III). However, such effectiveness rests on the foundation of, and is shaped by, the broader institutional governance structure of the organisation. Several issues tied to the governance structure were identified during the assessment, including that members of the GF's governing bodies play "dual roles" as representatives of constituencies, yet also as "fiduciaries" of all shareholders responsible to act in the best interests of the organisation as a whole. In addition, while the GF has made great efforts to build trust in the organisation and strengthen relationships with constituencies, the assessment revealed a degree of tension in the relationship between the Board and the Secretariat, and between and within constituencies. Some constituencies feel their "voice" is less heard than others'. Finally, in contrast to peer and best practice, the GF's Committees are not solely composed of Board members, instead including other constituency representatives in their composition, and operating as quasi-independent bodies with extensive delegated powers.

183. Changes to the GF's governance structure can accordingly be considered in order to achieve three objectives: i) to enhance Board member loyalty and accountability to the GF, ii) while further developing constituency "voice" and power, and iii) to improve consistency of direction and control by ensuring full alignment and avoidance of "silos" at the top. Proposals for change include the appointment of more independent Board members with private-sector experience, with voting rights, in order to further professionalise the Board and improve knowledge and skills among board members in running large organisations, especially private sector corporations.

184. But increasing outside expertise should not weaken the role of constituencies and their representatives in directing and controlling[31] the GF. The strong voice of constituencies would be retained and enhanced through the establishment of a "Constituency Assembly" to approve Board appointments and take other strategic decisions. The creation of a constituency forum would focus a Board less constrained by its representative mandate on matters of direction and control, including through more in-camera meetings on matters of its core business while the newly found appetite for on-line meetings will allow the discussion of matters of general information and discussion in "one-off issue" meetings open to all constituency representatives (para.34).

185. Consistency between the Board and Committees could be further enhanced by forging stronger links between the governing bodies through the streamlining of Committee mandates (see Section III.G.i) and the appointment of (independent) Board members as Committee leaders.

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[31] According to the classic Cadbury Code definition the role of the board is to direct and control the company. Directing refers to a process of instructing, guiding, overseeing and leading an organisation towards the accomplishment of its organisational goals. Controlling is ensuring that activities in the organisation are performed as per the plan and that resources are used effectively and efficiently for the achievement of predetermined goals.

b.   *Suggested broader governance changes*

Enhance Board member loyalty and accountability to the GF, at Board level:

186. The members of the governing bodies of any constituency-driven, multi-stakeholder organisation hold a "dual role" in acting in the interest of their constituencies, as well as in the best interest of the organisation, which creates an inherent potential conflict in the loyalties of specific leaders who are at the same time representatives of certain stakeholders but also need to look out for the interests of the whole organisation. It is therefore not surprising that responses to whether "*At the end of the day, constituency interests do not come in the way of Board decision-making that best serves the objectives and interests of the GF as a whole*" scored the lowest in the survey, with an average score of 0.2. One way of addressing divided loyalties fueled by the "dual role" of members of the governing bodies, and mitigate conflict, is to make the Board more independent and distinct from constituency interests but without lessening the power of and voice of the latter.

Exhibit 26: Responses to: "*At the end of the day, constituency interests do not come in the way of Board decision-making that best serves the objectives and interests of the GF as a whole.*"

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
2.6%	38.5%	37.2%	15.4%	6.4%
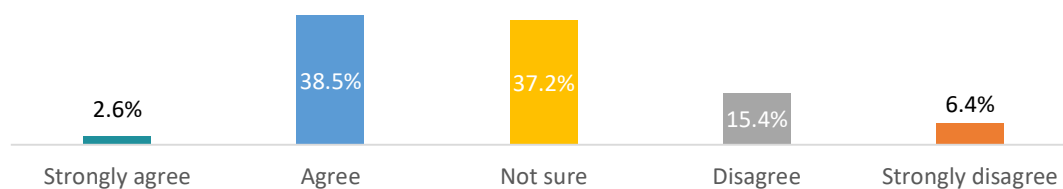
187. In order to address the first leg of the challenge, the GF could consider appointing and empowering more independent Board members. Such a move would not only address the divided loyalty issue. It would also address two other issues highlighted during the assessment that i) there is a degree of tension in the relationship between the Board and the Secretariat (see Section III.B), and between and within constituencies (see Section III.D), and relatedly that ii) there is a lack of expertise in leading large of non-governmental or commercial organisations with high standards of effectiveness (with only three Board members holding extensive private-sector expertise) (see Section III.C). Appointing independent Board members with understanding of the private sector / academia would thus "professionalise" the Board and consequently reduce the perceived asymmetry of organizational expertise on the Board vis-à-vis management. We believe that one of the reasons for the tension mentioned above is precisely this asymmetry which in turn breeds some suspicion and a somewhat disproportionate demand for more and more detailed information on executive matters at Board level. Furthermore, the appointment of independent members with no direct affiliations to constituencies can also have a mitigating effect on some perceived tensions between donor and implementer constituencies.

188. In order for independent members to have the requisite tension-mitigating effect and significantly change the focus of the Board's loyalties, they should have voting power and be able to participate in decision-making. In fact, such a Board would not need weighted voting, provided that there is recourse against some of its decision by a sufficient minority of constituency representatives. Additional constituency control could be maintained through, for example, ensuring that the appointment of independent Board members by constituencies requires a supermajority, whereas dismissal (e.g. in a case of evident bias) could require a simple majority.[32] In order to ensure some continuity while not entrenching the power of individuals versus constituencies, the term of independent Board members could be set for three years with a limit of two terms, as suggested in another part of the Report (Rec.11 and Rec.20).

189. To accommodate an enhanced independent segment, the GF Board could modestly increase its size. Gavi, another multi-stakeholder organization, reserves nine seats for independent voting members, alongside eighteen "representative" seats which include donor and implementer constituencies.

> *"Independent Board members are private individuals with no professional connection to Gavi's work. They bring independent and balanced scrutiny to all of the Board's deliberations. These individuals also provide expertise in a number of critical areas such as investment, auditing and fundraising."*
>
> **Gavi**

190. The GF currently appoints independent members on its Committees as per the independence criteria listed in the *Operating Procedures of Board and Committees (2019)*. The same criteria could be adopted for independent Board members.

Develop constituency "voice" and power:

191. But a more professional board focused more on leadership than representation could erode accountability to constituencies which is a key precept of the GF. Therefore, the "second leg" of any reform of the organisational structure needs to ensure that this accountability is preserved and, as appropriate, strengthened.

192. One way to achieve this is to establish a "Constituency Assembly," a general meeting of constituency representatives that would take place once or twice per year (or as needed in specific circumstances), where constituencies would be formally apprised of strategic development and take certain decisions of strategic importance to the organisation on the basis of Board proposals. These decisions could include the approval of any multi-year business plans, key appointments and approval of specific issues that were vetted by constituency representatives at Board level—or other issues that the Board considers in need of constituency validation. Decision-making at the Constituency Assembly would be weighted as it currently stands on the Board.

193. One of the key responsibilities of the Constituency Assembly would be to appoint the Board Leadership and independent Board members after they are nominated by a Constituency Assembly -level Nomination Committee, as well as to appoint the ED after he / she is nominated by the Board. Having a Nomination Committee established at the level of the

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[32] In essence, this means it is harder to appoint members than dismiss members, protecting constituencies in the case that they are not satisfied with the performance of a member.

Constituency Assembly would simplify appointments in Board positions without diminishing the role of the Board and ensure constituency power in determining Board composition. This is not be confused with a Board-level Nomination Committee (see Rec.5), which would appoint the IG and nominate the ED.

194. The establishment of a Constituency Assembly will also address inter-constituency tensions. Currently, certain constituencies desire enhanced institutionalised participation in the GF's governance and feel that they are missing out on certain Committee-level discussions (see Section III.G.i). This results in instances where constituencies nominate only one candidate (see Section III.G.i). to secure their place risking impact to the collective competency of the Committees.

195. An additional issue, raised by several interviewees, that might be at least partially addressed by the creation of the Constituency Assembly is the accommodation of new constituents, especially new donors, given that its Board is already quite large. A Constituency Assembly would allow the GF to add constituencies in a more sustainable manner (with full rights to participate in the Constituency Assembly), without necessarily increasing the size of the Board. If this mandate emerges then the GF should consider reviewing the current voting structure of the Board

Ensure consistency in direction and control:

196. Unlike the EIB, Gavi and World Bank, the GF Committees are not composed of Board members alone, and have extensive decision-making authority compared to classic Board committees that are usually advisory in nature. This might encourage in "silos" at the top, a topic that is taken up further down in this Report).

197. In addition to streamlining the Committee mandates and giving some of the decision-making powers back to the Board (see Rec.23 and Rec.21), the GF could establish a greater link between Board and Committee members by appointing the proposed independent Board members as Committee Leaders, who would have voting power. In order to ensure consistency and better accountability, we would also suggest that only Board members should sit on Committees, which would maintain the current policy of being open to observers. Exceptionally, the AFC might retain one or two non-Board, non-voting independent financial experts.

198. The following exhibits display how the GF's governance structure appears today, versus what a future state could look like if the recommendations from this section and the *Key findings* of this Report were to be accepted.
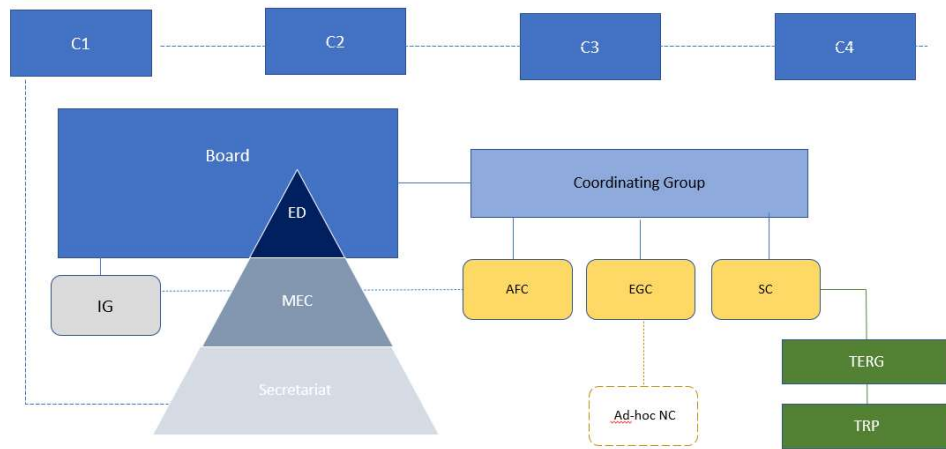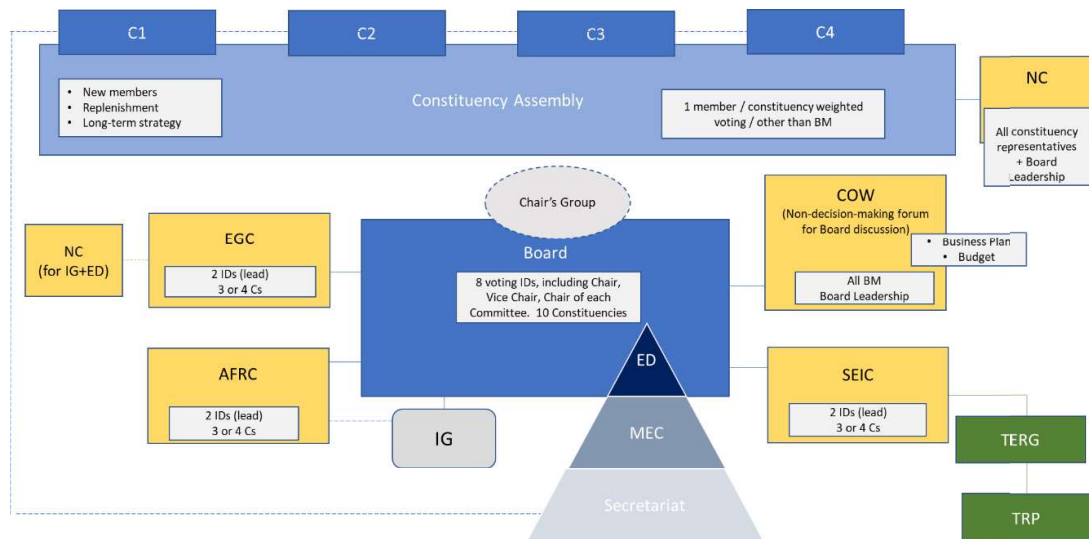
Exhibit 27: Current organisational structure[33]

Exhibit 28: Future organisational structure

[33] Please note that C1, C2, C3 and C4 refer to different Constituencies.