

# 38<sup>th</sup> Board Meeting

## Strengthening the Board Leadership Selection Process

GF/B38/22

14-15 November 2017, Geneva, Switzerland

### **Board Input**

**PURPOSE:** This paper presents key points for discussion on how the Board Leadership selection process could be strengthened. Its aim is to promote a discussion within the Board. This discussion will help inform a recommendation by the Ethics and Governance Committee to revise the Board Leadership selection process for consideration by the Board for adoption in May 2018.

## Executive Summary

### Context

The selection process for the Board Chair and Vice-Chair is defined in the Operating Procedures of the Board and Committees of the Global Fund (“BCOP”). The Ethics and Governance Committee (“EGC”) has an advisory function in the process; in particular with respect to the review of the nominations and advice to the outgoing Board leadership on nominations received<sup>1</sup>. Following review by the EGC of the lessons learned from the 2017 Board Leadership selection process, and observations emerging from governance performance assessments in 2015 and 2016, the process to select our Board Chair and Vice-Chair remains a governance priority for the organization. There is an opportunity to review and implement, in a consultative manner, appropriate enhancements to continue to strengthen the process, in good time ahead of the next appointment in May 2019. This paper presents early analysis and options for Board consideration.

### Questions this paper addresses

- A. What is the need or opportunity?
- B. What options are being considered?
- C. What do we need to do next to progress?

### Conclusions

- A. Lessons learned from the 2017 Board Leadership selection process, combined with the outcomes of independent governance assessments, strongly suggest that the organization consider a process that is as transparent, objective and competency-based as possible, and which facilitates effective consideration of complementarity between the Board Chair and Vice-Chair candidates.
- B. The EGC is considering three options for strengthening the existing process, briefly described as follows:
  - a. Maintaining Existing Process with Some Enhancement
  - b. Creating a Hybrid Process for Board Leadership Selection (separate nominations processes and unified selection)
  - c. Creating an Unified Process for Selecting Board Leadership
- C. Following discussions at the Pre-Day ahead of the 38<sup>th</sup> Board Meeting, an iterative consultation process will feed into the EGC’s discussion and recommendation of a proposal at its March 2018 Meeting. A legal analysis will also be conducted on the possible changes to the Bylaws and/or BCOP that would be required as a result of the three options. The EGC recommendation will be submitted to the Board at its May 2018 Meeting and any decision to implement procedural changes, if required, would be adopted by the Board at that time.

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<sup>1</sup> See Article 31.2 of the BCOP and Article 2.2 g of the EGC Charter.

## Input Sought

- The Board's feedback is sought on three proposed options.

## Input Received

- EGC has guided the development of the proposed options for Board consideration.
- The proposed options were also developed with governance expertise from Egon Zehnder, in the context of their work on Global Fund governance performance assessments and associated governance improvements.

## What is the need or opportunity?

1. Following lessons learned from the 2017 selection process for the Board Chair and Vice-Chair, and the outcomes of independent governance reviews, the EGC believes that the Board leadership selection process remains a governance priority for the organization. As the Global Fund looks ahead to 2019 and beyond, the Board will need to appoint strong and effective leadership to steer the Board through future challenges. There is currently an opportunity to review and implement, in a consultative manner, appropriate enhancements to continue to strengthen the process, in good time to launch a selection process ahead of the next Board Leadership appointment cycle in May 2019.
2. **Current process:** in 2017, the Board Leadership selection process was conducted for the first time since the inception of the EGC, and since the revision in 2016 of the BCOP. The EGC plays an advisory function in the process: it receives and reviews candidates nominated by an authorized representative from Board voting constituencies, and advises the outgoing Board Chair and Vice-Chair on the nominated candidates.<sup>2</sup> In 2017, the EGC recommended a number of measures to strengthen the process including engaging an external search firm to support the process, and conducting enhanced due diligence on candidates.
3. **Independent assessments of Global Fund governance:** recent independent assessments of Global Fund governance and Board effectiveness noted the need to focus on succession planning and selection processes, as well as the critical leadership role of the Board Chair and Vice-Chair. Namely, the 2015 and 2016 Board performance assessments<sup>3</sup> conducted under the Governance Performance Assessment Framework,<sup>4</sup> and the 2017 Office of the Inspector General advisory review on Governance.<sup>5</sup> These have highlighted the need to strengthen the existing process for selecting the Board Chair and Vice-Chair.

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<sup>2</sup> Operating Procedures of the Board and Committees, Article 31.2; Charter of the Ethics and Governance Committee, Article 2.2(g).

<sup>3</sup> Most recently summarized in (1) Egon Zehnder's Mid-Point Review, 4 July 2017, document GF-EGC04-10; and (2) Egon Zehnder and OBA's Principles to Guide Changes to Board Leadership TORs and selection processes of 20 February 2017.

<sup>4</sup> <https://www.theglobalfund.org/board-decisions/b33-edp18/>

<sup>5</sup> GF-OIG17-009

4. **Governance priority:** in response to the above reports, the EGC identified the Board Leadership selection process as a governance priority, as reflected in the EGC's work plan, and subsequently in the Governance Action Plan. The latter is a planning and monitoring tool to coordinate and prioritize the response to recent governance reviews, with the objective of strengthening the overall governance of the Global Fund.<sup>6</sup> The EGC has agreed on the need to strengthen the leadership role of the Board Chair and Vice-Chair, enhance complementarity as well as the need for both roles to represent the Global Fund as a whole and not just the voting group that nominated them.
5. **2017 lessons learned:** the EGC has reviewed the lessons learned from the 2017 selection process. Following the outcomes of a qualitative survey of constituencies, the EGC noted a certain degree of general Board dissatisfaction with the process. The EGC also noted that satisfaction levels varied significantly, particularly between the two Voting Groups. The EGC considered that respondents expressed concerns about perceptions of fairness, transparency, process clarity, lack of time, and mechanisms for consideration of complementarity between finalist candidates. In addition, ongoing discussions at the EGC have emphasized the lack of a unified process between the Voting Groups as a barrier to ensuring complementarity of experiences and leadership skills between finalist Chair and Vice-Chair candidates.
6. **Key observations** and best practice principles that support the importance of enhancing the Board Leadership selection process:
  - i. Lack of long-term succession planning, with short tenures in Board Leadership roles may lead to institutional memory loss and continuity challenges.
  - ii. Board Leadership needs a period of adaptation to get up to speed before assuming full responsibility.
  - iii. Separate nominations processes respect the core principle of rotation between the Voting Groups and uphold their ownership, yet limit consideration of the Chair and Vice-Chair as a leadership team representing the Board as a whole.
  - iv. The process should be as transparent, objective and competency-based as possible, and allow for sufficient time for highly qualified nominees to be identified.
  - v. The process should enable effective consideration of complementarity between the Chair and Vice-Chair candidates.
7. **The Terms of Reference of the Board Chair and Vice-Chair** will be reviewed by the EGC separately, to assess questions including clarity of mandate between the Board Chair and Vice-Chair, and the Executive Director, as noted in the OIG advisory review. The EGC plans to launch this review in 2018, with appropriate consultation with constituencies before recommending amendments to the Board, if deemed necessary, ahead of the appointment of the next Board Leadership in 2019.
8. Further background, including an overview of decisions and other developments relating to the selection process can be found in the annexes.

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<sup>6</sup> GF-EGC05-13: Governance Action Plan and associated annexes.

## What are the options for consideration?

### What are the options?

9. As briefly outlined above, there are three possible options for strengthening the existing Board Leadership selection process:

#### **i. Option 1: Maintain Existing Process with Some Enhancements**

- Constituencies of the Implementer and Donor Voting Groups separately identify nominations for either Board Chair or Vice-Chair based on two-year rotation principle
- Both Voting Groups could be requested to codify their respective selection processes, voting procedures and contingency measures
- The Ethics Officer conducts due diligence on leading candidates nominated by the two groups with assistance of the executive search firm
- EGC continues to play mainly advisory role to the incumbent Board Leadership in the process as provided for in the BCOP and the EGC Charter
- In the event there is not a single candidate for each position, an election for the relevant position(s) is called involving the full Board, noting that this fallback position invites time delay, political and reputational risks

#### **ii. Option 2: Hybrid Process for Board Leadership Selection**

- The two Voting Groups separately nominate candidates and each group identifies three nominees for the role of Board Chair or Vice-Chair respectively
- If a Voting Group does not succeed in nominating three candidates the executive search firm may put forth names to the group for its endorsement to reach the required number of nominees
- The EGC and nomination committee reviews credentials of the six nominated candidates identified by the two Voting Groups and conducts enhanced due diligence
- With support of the Ethics Officer, the EGC or nomination committee presents a final slate of two candidates based on pre-defined criteria such as governance and leadership experience, involvement with multi-stakeholder initiatives, diversity and gender balance, and complementarity
- The Board votes to appoint the final slate of nominated candidates

#### **iii. Option 3: Unified Process for Board Leadership Selection**

- An ad-hoc nomination committee is established to identify, review and vet top candidates for Board Chair and Vice-Chair
- The executive search firm has dual role of undertaking outreach to ensure extensive search and to support due diligence
- Together with the Ethics Officer and executive search firm, the nomination committee undertakes enhanced due diligence on the final roster of candidates
- The nomination committee seeks to ensure rotation between both Voting Groups for the positions of Board Chair and Vice-Chair

- A single unified nomination committee would be based on principles of transparency, independence, competency, fairness and respect
- The nomination committee would, following due diligence review, present a final slate of Board Chair and Vice-Chair candidates to the Board for appointment

Given the above, what are the positives and negatives of each option?

10. Each of the three options brings specific advantages and disadvantages and there may be ones which may be added subsequently:

**i. Option 1: Maintaining Existing Process with Some Enhancements**

*Advantages:*

- could mark “first step” with introduction of certain improvements
- could act as springboard for further enhancements

*Disadvantages:*

- same challenges of having two different selection processes
- little scope for complementarity
- continues preference for internal candidates who are already known to either of the two Voting Groups
- may bar additional improvements from being undertaken (no further appetite for change)

**ii. Option 2: Hybrid Process**

*Advantages:*

- may garnish broader support as could maintain roles of the voting groups
- could represent a “bolder step” to revising the process

*Disadvantages:*

- still represents bifurcated process with lower transparency
- greater risk of complications to achieving final result (deadlocks, elections)

**iii. Option 3: Unified Process for Selecting Board Leadership**

*Advantages:*

- single unified process would provide transparency
- would enable complementarity to be considered
- could broaden the scope of candidates

*Disadvantages:*

- requires clear appetite for change and support from Board
- depending on scope of revisions, could take significant time to implement
- ‘all or nothing’ risk

## **What are the next steps?**

What is required to progress the proposal?

11. Board input is sought on the three proposed options outlined above. Specific questions for Board consideration include:

- i. What is the Board’s appetite for change?

- ii. Does the current selection process require extensive overhaul or just modest tweaks?
- iii. Should a single and integrated nomination committee be introduced?
- iv. What are the barriers to implementing changes to the Board Leadership process?

What will the Board/Committee have to do next?

12. The next steps to finalize a recommendation to the Board are as follows:
- i. **November 2017:** Board receives briefing and provides initial input at the 38<sup>th</sup> Board Meeting (pre-day discussion session, and by submitting statements in advance).
  - ii. **December 2017-January 2018:** consultations and analysis of the implications on the governance documents for the proposed options, allowing opportunity for additional constituency input and guidance as the options are refined.
  - iii. **March 2018:** EGC considers final proposal for recommendation to the Board.
  - iv. **May 2018:** Board decision to implement changes (if a decision is required), at 39<sup>th</sup> Board Meeting.
  - v. **November 2018:** Call for nominations for the role of Board Chair and Vice-Chair is launched at the 40<sup>th</sup> Board Meeting.
  - vi. **May 2019:** Appointment of the next Chair and Vice-Chair of the Board.

What would be the impact of delaying this work?

13. Board approval of any changes to the Bylaws or BCOP is required in order to launch the selection process for the 2019-2021 term in good time. Delay to this initiative would result in following the existing selection process for another leadership selection cycle, which was considered suboptimal in 2017.

## Annexes

### **Annex 1 – Summary of Committee Input**

#### ***Extract from the Draft Report of the 5<sup>th</sup> Ethics and Governance Committee Meeting (2-4 October 2017)***

“The EGC discussed ways to frame a Board discussion on revisions to the Board Leadership selection process.

1. The EGC considered three scenarios for change:
  - a) modest revision to status quo
  - b) a moderate revision incorporating voting groups processes feeding into a single nomination committee, or
  - c) a single and integrated nomination committee.
2. The EGC agreed that two options for changing status quo will be developed and presented to the Board during pre-meeting consultations in November to gather initial input. Joan Dubinsky will lead as focal point.
3. Between December and March, the EGC with the support of OBA and the Legal Department will develop a formal recommendation for revising the Board Leadership selection process. The aim is to present an EGC recommendation for Board approval at its Board Meeting in May 2018.”

#### ***Extract from the Report of the 4<sup>th</sup> Ethics and Governance Committee Meeting (July 2017)***

“EGC focal points Joan, Sandy and Jason, in collaboration with the OBA, will finalize the documentation on the lessons learned to incorporate Jacques and Jason’s input as the EGC observers of the selection processes of both voting groups, as well as the written comments from the current Board Chair and former Vice-Chair, Aida Kurtovic, and Norbert Hauser, former Chair, on the on/off-boarding program.

OBA will present a proposal for the revised Board Leadership selection process to the EGC at its October meeting. This will then be presented for recommendation at the November Board meeting.

The preferred set of options for the revised selection process should be based on the previous proposal discussed at the February 2017 Board Retreat.”

## Annex 2 – Current Selection Process

### 2017 Board Chair and Vice-Chair selection process

Purpose: This document sets out a proposed framework to guide the Board’s 2017 selection of the next Board Chair and Vice-Chair pursuant to Article 7.3 of the Global Fund’s Bylaws, and Section F of the Operating Procedures of the Board and Committees of the Global Fund (“Operating Procedures”)<sup>7</sup>.

### 2017 Selection Process Timeline

No	Date	Process	Operating Procedures Reference
1	Wednesday 1 March 2017	Announcement of forthcoming elections and call for nominations for the Board Chair and Vice-Chair roles. The Office of Board Affairs will provide a standard form template for nominations.	Section 31.1
2	Week of March 6 <sup>th</sup>	EGC consultation with outgoing Board Chair and Vice-Chair on BL selection process	
3	Tuesday 14 March 2017	EGC consultation with Board on proposed new BL Terms of Reference	
4	Monday 20 March 2017	EGC update and consultation with Board on BL selection process	
5	1 March to 28 March 2017	Constituency consultation period.	Section 31.2
6	Tuesday 28 March 2017	Close of nominations period <u>and</u> deadline for the submission of nomination by the constituencies in accordance with the instructions provided in the nomination forms.	Sections 31.5

<sup>7</sup> As approved by the Board on 28 January 2016 (GF/B34/EDP07) and effective as of 28 April 2016.

No	Date	Process	Operating Procedures Reference
7	Tuesday 28 March 2017	Submission of new or updated Declaration of Interest to the Global Fund's Ethics Officer in accordance with the instructions provided in the nominations forms.	
8	Tuesday 28 March 2017	Office of Board Affairs review of nominations to ensure that the nomination forms are duly completed and that all requested supporting documents have been submitted. Nomination forms and supporting documents to be forwarded by the Office of Board Affairs to the Ethics and Governance Committee following this preliminary review.	<i>Suggested as a means to assist the Ethics and Governance Committee to assess completeness of applications pursuant to Section 31.2</i>
9	Friday 14 April 2017	Ethics and Governance Committee reviews and advises the outgoing Board Chair and Vice-Chair on the nominated candidates.	Section 31.2
10	Tuesday 18 April 2017	Board Leadership submits update on progress and next steps for the selection process to the Board.	
11	Wednesday 3 May 2017	Submission of the nominated candidates by the Board Leadership to the Board and conduct of election and appointment processes.	Section 32.1
12	Thursday 4 May 2017	Global Fund announcement of Board Chair and Vice-Chair appointment for 2017 – 2019 term.	
13	Date(s) to be set between Outgoing and Incoming Board Leadership	Chair and Vice-Chair Transition Handover	Section 33

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## Annex 3 – Relevant Past Decisions

Relevant Past Decision Points	Summary and Impact
<b>GF/B37/DP03, Board Chair and Vice-Chair Terms of Reference, by decision of the Board at the Thirty-Seventh Board Meeting</b>	On 3 May 2017, the Board adopted Terms of Reference for the Chair and Vice-Chair of the Board as set forth in Annex 1 of GF/B37/22 Revision 1, which entered into force at the conclusion of the Thirty-Seventh Board Meeting. These Terms of Reference supersede all previous versions adopted by the Board.
<b>GF/BR2017/DP05 at the Board Retreat in February 2017, Amendment to the Board Leadership Terms of Reference</b>	On 28 February 2017, the Board adopted revisions to the Terms of Reference to the Chair and Vice-Chair of the Global Fund Board.
<b>GF/B34/EDP07 Enhanced Governance Structure (Jan 2016)</b>	The Board adopted the Charter of the Ethics and Governance Committee, and revised Operating Procedures for the Board and Committees. Together, these provide for the EGC's role in overseeing the Board leadership selection process, and for receiving and reviewing candidate nominations from the Donor and Implementer Voting Groups respectively, to advise the outgoing Board Chair and Vice-Chair on the nominated candidates (Operating Procedures subsequently amended in April 2016, GF/B34/EDP21, with no impact on the above provisions.)
<b>By decision of the Board by electronic vote on 13 December 2012, GF/B28/EDP04, at the Thirty-Second Board Meeting by GF/B32/DP05, Approving the Governance Plan for Impact</b>	On 20 November 2014, the Board approved the Governance Plan for Impact, which superseded GF/B28/EDP04 on the Terms of Reference of the Chair and Vice Chair of the Global Fund Board (entirely).
<b>GF/B19/DP10, as amended at the Twenty-Second Board Meeting by GF/B22/DP06, Board Chair and Vice-Chair Nomination and Election Process</b>	On 6 May 2009, the Board approved the terms of reference for the Chair and Vice-Chair of the Board, as laid out in Attachment 6 of GF/B19/4. On 15 December 2010, the Board approved the amendments to the Board Chair and Vice-Chair nomination and election process, which were reflected in the excerpts of the revised By-laws, Board Operating Procedures and Terms of Reference of the Board Chair and Vice-Chair contained in Annex 4, Revision 1 of the PSC's report to the Twenty-Second Board (GF/B22/4).

## Annex 4 – Relevant Past Documents & Reference Materials

1. [GF/EGCo5/o8](#): *Revised Board Leadership Selection Process: Key Points for Discussion*
2. *Excerpt from the Egon Zehnder and OBA Principles to Guide Changes to Board Leadership TORs and Selection Processes of 20 February 2017 (next page).*

**PRINCIPLES TO GUIDE CHANGES TO NOMINATION AND SELECTION PROCESS**

**8. Enhanced selection process needed to ensure full Board ownership and buy-in of the appointment of the Board Chair and Vice-Chair**

Issues to Address	Proposed Solutions
<p>Under the existing process, donors and implementers each independently conduct separate nomination procedures. This means that while each group engages on the appointment of either the Chair or the Vice-Chair, the Board as a whole does not actively engage in the appointment of the Board Leadership team, but is rather presented with a “fait accompli” which it rubber-stamps.</p>	<ul style="list-style-type: none"> <li>• Create a process that allows for the joint consideration by both the Donor and Implementer Groups of multiple candidates for both Leadership roles.</li> <li>• While taking into account that the selection of the Board Chair and Vice-Chair differs from recruiting a staff member, learn from the best practice examples of the Executive Director and Inspector General selection processes and introduce a nominations committee which includes representatives from both groups to conduct the review of the candidates, interview a shortlist and make a recommendation to the Board.</li> <li>• The criteria for selection of Chair and of Vice Chair are identical, ensuring that the Vice-Chair can rotate into the Chair role (if relevant) and thus not narrowing the candidate poll.</li> </ul>
<p>The existing process of donors and implementers each independently conducting separate nomination procedures does not enable the consideration of complementary skill sets and compatibility.</p>	
<p>Perceived lack of transparency in the current process.</p>	

**9. Need to ensure the Board Leadership positions can attract high level, qualified candidates.**

Issues to Address	Proposed Solutions
<p>Some individuals who may be interested in the role will not commit the required time without some additional financial support.</p>	<ul style="list-style-type: none"> <li>• Include the offer of an honorarium in the Board Leadership TOR in line with the estimated time and energy commitment. Make clear to Board Leadership that the honorarium is intended to be neither a salary replacement nor a salary supplement if the elected official’s current job description incorporates Global Fund-related functions. Any honorarium would be subject to specific accountability measures.</li> <li>• Engage an external search firm to broaden outreach beyond the Board.</li> </ul>
<p>Candidates with the stature and competence to fill these roles are rare and require outreach. The current process limits the candidate pools to those within the sphere of the Global Fund constituencies. Individuals with the relevant experience can be found in the broader development environment.</p>	