



**REPORT**

**Strengths and weaknesses in the governance of selected Global Health Initiatives.**

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## **Introduction**

The terms of reference explain the need for a view at the board composition of some major Global Health Initiatives (GHIs), in particular those of the GAVI Alliance (GAVI) and The Global Fund, as support to Sida's thinking about the board composition of the Fast Track Initiative (FTI).

It is not possible to review the board composition of these GHIs in isolation. Inevitably the make-up of the respective initiative itself and the roles of its different partners are important as are other governance structures such as committees and task forces. There are also historical aspects that can explain certain features of board composition as will be shown in the following.

In the field of health there has been a mushrooming of partnerships and alliances in the last 10-15 years. Today there are at least 80 GHIs of various kinds and size. Particularly important has been the establishment of the large financing partnerships of which the Global Fund and the GAVI Alliance are the most important.

## **The GAVI Alliance**

### ***History***

GAVI was established in 2000 as a follower of the Children's Vaccine Initiative. For different reasons the latter was not successful while GAVI, partly thanks to the initial grant of \$750 million from the Bill and Melinda Gates Foundation (BMGF) immediately became an important actor in immunization.

Simultaneously with the establishment of GAVI the so called Vaccine Fund was created to take the fiduciary responsibility for the Gates' grant as well as for some other contributions. Thus GAVI lived through its first eight years with a dual governance structure with one board for the GAVI Alliance and a separate board for the Vaccine Fund. The GAVI Alliance Board was representative with members from multilateral organizations, donor and recipient governments, vaccine industry and CSOs while the Vaccine Fund Board mainly was composed of independent, unaffiliated directors, many of whom with high level financial or audit backgrounds.

GAVI was also characterized by having an influential Working Group with medium level managers from the main partners that met several times every year and had teleconferences practically every week during the first five years. The Working Group served the dual purpose of ensuring technical review of board proposals and partner involvement.

The merger of the two secretariats and later of the boards and the creation of a Swiss foundation implied a change of the GAVI governance structure. After considerable review and discussion it was finally agreed to establish a new board with a balanced representation of previous GAVI Alliance constituency members and former GAVI Fund unaffiliated members with the ratio of 2:1. Thus the old GAVI Alliance Board would be represented by

18 members and the old GAVI Fund by 9 members (plus the CEO as a non-voting member).

## **Current structure**

Since 2008 the GAVI Alliance is registered as an independent non-profit foundation in Switzerland. The GAVI Alliance Board is composed of 28 members, as follows:

Permanent seats:

UNICEF

WHO

World Bank

Bill and Melinda Gates Foundation

Rotating seats:

5 developing countries

5 donor governments

1 research and technical health institute

2 vaccine industry (1 from industrialized country, 1 from developing country)

1 civil society organizations

9 unaffiliated<sup>1</sup>

1 CEO of GAVI Secretariat (non-voting)

In addition to the GAVI Alliance Board, GAVI relies upon two other boards - the IFFIm Board and the GAVI Fund Affiliate Board - which administer the International Finance Facility for Immunisation (IFFIm), an innovative financing mechanism established to fund GAVI programmes.

The Board has established a number of committees, as follows:

Executive committee (EC)

Programme & Policy committee

Governance committee

Investment committee

Audit & Finance committee

Evaluation Advisory committee

The Board has also discussed the need for a fund-raising committee but has not yet made any decisions about that.

The Executive Committee is responsible for decision-making that allows the Alliance to function in-between Board meetings. Specifically the EC has the delegated authority to approve country programme grants based on recommendations from the Independent Review Committee. The EC also serves as an advisory body to the full Board and ensures

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<sup>1</sup> An independent or un-affiliated member is a non-representative member who is not a direct beneficiary of or the representative of a beneficiary of funding from GAVI, not a substantial donor and not an executive of the organization.

that new policies are sufficiently developed prior to Board decision. Like the Board itself the Executive Committee is composed of representative members and unaffiliated members in the proportion of 2:1.

The Programme & Policy Committee, with 16 members, serves as the principal advisory body to the board on all GAVI programme areas and leads the development of new policies.

The Governance Committee, with 11 members, is responsible for ensuring the smooth operations of GAVI's governance structure. In this role, it serves as a nominating body for new board members, evaluates and oversees the functioning of other committees, and develops and enforces the Board code of ethics and other key governance policies.

The Investment Committee, with 3 members, oversees the development of investment policies and objectives, asset allocations and portfolio construction. The Committee also guides performance monitoring and risk management, reporting, and the safekeeping of assets for the GAVI Alliance.

The Audit & Finance Committee, with 7 members, provides guidance in the areas of corporate accounting, reporting practices, and the quality and integrity of the financial reports. Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing financial information to be reported to GAVI donors and others, evaluating GAVI's systems of internal controls, and overseeing the audit process.

At the June 2009 Board, the Governance Committee recommended the Board also to establish a small Evaluation Advisory Committee with a majority of independent evaluation experts and a minority of board members. This committee was subsequently created to oversee organisation and programme evaluation; provide oversight for GAVI's organisational and programmatic evaluation activities; review and approve GAVI's multi-year and annual evaluation work plans and review the evaluation reports from the independent consultant selected to perform these reviews. The committee also periodically reassesses the Evaluation Policy and reports on its work to the Board. The committee has 8 members.

GAVI has so far arranged a Partnership Forum four times. The latest forum in 2009 had as objectives to:

- share, celebrate and learn from the GAVI Alliance's results, innovations and impact to date
- reaffirm and broaden the GAVI partnership by providing a forum to:
  - enable a range of existing partners to share their experiences and exchange ideas
  - strengthen the involvement of specific stakeholder groups, particularly civil society
- identify key opportunities and challenges for the future and enable partners to inform GAVI's strategic direction for 2011-2015

## **Comments**

### **Governance studies**

The consolidation of GAVI into one unified organization with one board has been a complex, multi-year process involving a number of studies and consultancies. The final GAVI Governance Study was made by CEPA in 2007 and forms the basis for the decisions of a unified GAVI board. However, there are a number of differences between the study recommendations and the actual decision for example the composition of the EC where the study recommended membership based on skills and experience while the decision established a representative EC.

### **Views**

The old GAVI governance structure with a board but without any committees in the early years built on the existence of the GAVI Working Group which created a sense of participation and security among the main partners. They were comfortable in knowing that the Working Group with its representation of main partners with staff members with technical skills had discussed all major issues that came before the Board. However, the Working Group slowly faded away and was replaced by a number of committees that became essential –especially the policy and program committee- in preparing Board decisions. Apart from their technical role the committees constitute an essential part of the alliance structure helping to unite the partners in their common purpose

The relationship with the multilaterals was always an issue for GAVI. Originally the intention was that the Alliance would not use its resources to support its partners. However, this principle was gradually eroded and led to a discussion on when it would be appropriate to provide such financing. One basic principle for such financing was that tasks that could be seen as part of the core mandates of the respective organization could be funded directly while other tasks would require competitive bidding to select the implementer. For other tasks competitive bidding would be used with the possibility for partners compete. This happened rarely because the main partners usually preferred to stay out of competitive bidding processes.

A main function of the GAVI Board has been to ensure the smooth cooperation among the partners.

The new GAVI Board became relatively large because of the merger of the two previous boards. It is also unique in its combination of constituency members and unaffiliated members. Although the large board appears unwieldy and there has been no appetite in the Board for real delegation of authority it has worked during its first year of operations. But it is still somewhat of an experiment and it is probably too early to tell if this governance system will work effectively in the long run.

There has not been much discussion about the industry representation in the Board as it has been part of the structure since the beginning. However, industry has only one representative in the executive committee in spite of lobbying for two. Therefore the industry representative changes every year between industrialized country and developing country industries. The CSO constituency has been lobbying for more than one representative in the Board but so far without result.

# The Global Fund

## History

The Global Fund was established in 2002, partly building on the early experiences of GAVI. It quickly gained a political importance and also managed to raise large amounts of funds in its early stage. The Global Fund was initially a partnership hosted by WHO but its legal status was subsequently transferred into a Swiss foundation.

## Current structure

The Global Fund is currently a foundation registered under Swiss law with certain legal privileges and immunities similar to those granted to intergovernmental organizations. It is a financial instrument, not an implementing agency.

The Global Fund Board is composed of 20 voting members and 6 ex officio members without voting rights. The voting members consist of

- 7 representatives from developing countries with one representative from each of the WHO regions plus one additional representative from Africa.
- 8 representatives from donors
- 5 representatives from civil society and the private sector;
  - 1 from a developing country
  - 1 from a developed country
  - 1 from the private sector
  - 1 from a private foundation
  - 1 as a person living with HIV/AIDS or from a community living with tuberculosis or malaria

The ex-officio members consist of

- one representative from WHO
- one from UNAIDS
- one from the Partners constituency (currently UNITAID)
- one from the trustee
- one Swiss citizen
- the Executive Director.

Board members may each appoint one alternate member.

The eight donor members are currently organized into the following constituencies:

Canada, Germany, Switzerland

European Commission, Belgium, Finland, Portugal

France and Spain

Italy

Japan

United Kingdom and Australia

Point Seven (Norway, Denmark, Ireland, Luxemburg, Netherlands, Sweden)

USA

The seven developing country members are, as stated above, each representing the countries in one of the six WHO regions, with the African region having two representatives.

To take an example the Point Seven constituency is represented in the Board by one member country with another member country providing the alternate and a third country having a member in the Policy and Program Committee. Then an additional country can participate in one of the other committees. In board meetings each constituency can have five members present, thus the Board member, the Alternate and three observers. In between Board meetings there are frequent contacts and generally two annual meetings with the countries making up the constituency.

The larger constituencies have to be organized differently and do not have the same possibilities of regular participation. In a constituency with only one member, such as USA, Italy or Japan that member appoints all the representatives in the Board and committees.

The Board is responsible for overall governance of the Global Fund, for developing new policies and for the approval of grants. The Chair and Vice-Chair of the Board each serve for a term of two years. Each position alternates between a donor constituency and a recipient delegation, so that both donors and recipients are equally represented in the Board leadership at all times.

The Board is comprised of the two member categories donors and implementers. For decisions a statutory (two-thirds) majority in both groups is required. Furthermore all Board decisions are prepared in committees.

The Board has also established the following six committees:

- Ethics committee
- Finance and audit committee
- Policy and strategy committee
- Portfolio committee
- Affordable medicines facility malaria ad hoc committee
- Market dynamics and commodities ad hoc committee

The committees are advisory although the Board from time to time can delegate specific decision-making authority to them.

The role of the Ethics Committee, with 6 members, is to provide guidance and information on the application of the Policy on Ethics and Conflict of Interest and advise the members of the bodies and staff of the Global Fund on conflict of interest and ethics issues and to oversee the implementation of this policy.

The Finance and Audit Committee, with 8 members plus one WB non-voting representative, is responsible for providing advice on all policy and strategy issues relating to Finance and Audit, Review and provide advice on the Fund's budget for Operating Expenses and to make recommendations to the Board on the annual budget proposed by the Secretariat; monitor expenditure of the budget in the course of the year and report to the Board thereon



after the conclusion of each half-year and to serve as lead committee for conducting the replenishment process.

The Policy and Strategy Committee (PSC), with 19 members (a committee of the whole) is responsible i.e. to monitor and advise the Board on the core governance structures of the Fund, including processes and structures of the Board, Partnership Forum and CCMs, to provide advice to the Board on the evolution of core policies of the Global Fund and on overall strategic planning, to review the overall performance of the Global Fund and to advise the Board on overall resource mobilization policy.

The Portfolio Committee with 12 members plus one representative each of UNAIDS is responsible for providing advice on all policy and strategy issues relating to the portfolio of grants, to review performance and provide comment on program implementation, to review all portfolio processes, to review and provide advice to the Board on proposal guidelines, and TRP review criteria and to provide guidance on policies of harmonization, alignment and long term sustainability.

The Partnership Forum is convened every 24 to 30 months in order to provide persons and entities concerned a forum to express their views on the Foundation's policies and strategies. Participation in the Forum is open to a wide range of stakeholders that support the Foundation's objectives.

The Partnership Forum is a platform for debate, advocacy, continued fundraising and inclusion of new partners. Its purpose is to

- Review progress based on reports from the Foundation Board and provide advice to the Foundation on general policies;
- Mobilize and sustain high level coordination, political commitment and momentum to achieve the Foundation's objectives; and
- Provide a communication channel for those stakeholders who are not formally represented elsewhere in the governance structure.

## **Comments**

### **Governance studies**

The Global Fund 5 year evaluation that was carried out in 2007 included governance issues as part of study area 1 on organizational efficiency & effectiveness. It found that the Board had achieved both broad participation and genuine power sharing among the key constituencies. Difficulties were found in communicating within large constituencies (in particular developing countries), varied rates of attendance and particular challenges for developing country representatives. The main problem was found to be an overburdening of the Board with up to 900 pages of documentation covering 170 topics sent out for one Board meeting. Consequently the main recommendation from the evaluation was to streamline Board operations through delegation of authority for operational issues to the

committees and from the committees to the secretariat. The evaluation recommended the Board to focus its attention primarily on strategic issues.

### **Views**

The complex decision-making structure with committee work, possibilities to propose amendments and finally Board decisions with qualified majority in both board categories ensures a high degree of ownership from the partners. But it is also cumbersome, can require long time and great effort to come to decisions. It gives comparatively great power to CSOs as coalitions to prevent decisions can be relatively easy to form.

Even if the Global Fund Board has retained the power to approve grants these are done in blocks based on recommendations of the Technical Review Panel and thus not overburdening the Board in themselves.

Constituency representation may be very uneven (for example currently SEARO is represented by the Maldives and Nepal (alphabetical order) while India has a gigantic country program. Developing country representatives usually have difficulties in getting support and be able to engage actively.

### ***GAVI Alliance and the Global Fund governance***

Governance structures, including boards, should be designed according to the purpose of the organization and the complexity of their functions. In this respect one could consider that the original GAVI issues –the introduction of new vaccines- are less complex from a strategy point of view than the Global Fund issues that concern three diseases each with the possibility of multiple interventions. However, moving to broader health systems issues which both of these organizations have become involved in, the degree of complexity increases and thereby the demands for strategic board decisions.

Neither GAVI nor the Global Fund has an organization of its own in countries but both have a system of representation or contact that has been designed for its purpose. For GAVI the original idea was that it would be represented in country by its main partners. WHO and UNICEF are represented in all the eligible countries with the WB and bilateral development partners with varying representation. In many of the countries formal committees the so called Inter-Agency Committees of Coordination (ICCs) existed for the purpose of polio eradication and such committees were quickly established in the remaining countries. These committees are usually (but not always) chaired by the Minister of Health and in addition to the government they usually comprise all external donors interested or active in immunization often including some NGOs.

The ICCs are required to sign off on any applications and reports from the country to GAVI and the ICC members are expected to sound the alarm bell in case problems occur (such as insufficient audit or suspicions of mismanagement of funds or vaccines). With the Paris and Accra agendas these committees have got an increasing role to ensure harmonization between partners and alignment with national plans.

The Global Fund had to establish similar committees, called CCMs, when they started their country support. The CCMs provide a stronger role for civil society including decisions on the selection of principal recipients and sub-recipients and channeling of funds. In addition there is a system with Local Fund Agents (LFAs) that represent the interests of The Global Fund with regard to financing.

The Global Fund has a complex governance mechanism with its committee structure and decision-making rules. Difficult decisions can require time and patient work to form coalitions and engage partners but once taken they are generally owned and embraced by the partners. There seems to be a general opinion that the Global Fund Board and committee work is one of the strengths of the organization even if the point seven constituency originally considered that it would have been better to handle the strategy and policy issues in the Board itself than in a committee.

The GAVI Alliance has also established a fairly elaborate governance structure based on partner interests and powers. The new Board composition resulted from lengthy and complex negotiations between the partners leading to a fairly large board and a number of committees. The question can be raised whether this board structure and size is optimal in relation to its tasks.

### *Issues to consider*

| <b>Issue</b>                          | <b>Comment</b>   |
|---------------------------------------|--|
| Board size                            | Large board more representative<br>Large board can include more skills and experiences<br>Large board more cumbersome and costly<br>Small board more operational<br>Small board more flexible  |
| Delegation of authority to committees | Simplifies board work<br>May be perceived to threaten board members power<br>May serve alliance building and buy-in<br>Provides opportunities to participate also for non-board members  |
| Executive committee                   | Streamlines board work<br>May be perceived to threaten board members power   |
| Balance donors-recipients             | Politically sensitive issue; 50-50 or close is generally accepted  |
| Constituency representation           | May be uneven; some constituencies have clear procedures for selection (e.g. pharma industry)<br>Developing countries often have large constituencies – makes it difficult with communication<br>NGOs may have difficulties to decide on constituency and select representatives |
| Role of multilaterals                 | Partners or implementers?<br>To be funded or not?<br>As service providers; automatic or procured in competition?   |
| Industry participation                | Generally resented by grass roots organizations<br>Conflict of interest policy essential   |

|  |  |
|--|--|
| Relationship between global governance and organization in-country | Role of partners?<br>Monitoring and transparency functions?  |
| Board role and functions   | Complexity of issues – may require technical skills<br>Strategic decision-making – may require high level board representation<br>Alliance building – served by large board<br>Fiduciary function – unaffiliated members could be useful |
| Donor board representation   | Based on financial contributions gives the major financing organizations the major voice<br>Rotating membership according to some other system may serve to bring in new donors  |
| Board members from developing countries                            | Often have difficulties in accessing board documentation, communication with their constituencies, getting the appropriate support and engaging actively in board work   |
| CSO representation   | Depends on the role of the CSOs in the area of work<br>May be difficult to define and delimit the constituency<br>May be difficult to communicate effectively within the constituency  |

### *Conclusions*

There are no blueprints for GHI boards. Different organizations/partnerships/alliances have different roles, different financing systems and deal with issues of varying complexity; thus they require different governance arrangements. It is also likely that governance needs change as an organization evolves, as the funding changes and its role in countries develops.

Often governance systems and board compositions have historical roots. As the organizations grow organically so do their governance needs. There are also strong political aspects in governance mechanisms meaning that factors such as political clout, financial power or other types of influence are important factors in decisions regarding structure.

A more scientific approach would be to base decisions on governance mechanisms on factors such as the role of the organization, the complexity of the strategic issues, the need for partners and the overall context. Balancing representativeness with effectiveness of a board structure would be a typical example of compromises that have to be struck. From a Paris agenda point of view one would like to see some kind of over-arching vision for GHIs within each sector. That is, however, a missing piece. So far each GHI has developed its own structures with little regard for the overall aid architecture and harmonization between GHIs probably becomes more difficult with time as each one becomes more structured.