

Performance Measurement System for the Executive Director of The Global Fund



Board document
November 12, 2004

EXECUTIVE SUMMARY

- Objective of this proposal is on introducing **performance measures for the Global Fund's Executive Director**, embedded in a simple, consistent approach that is applicable across the whole organization
- A “**balanced scorecard**” approach is proposed, involving **12-14 metrics** that reflect high priority objectives and **including output results** (reflecting grant performance) alongside financial and organizational input measures
- While focus has been on **Secretariat responsibilities**, a small number of the Fund's **objectives could be assigned to the Board**, according to its particular responsibilities (e.g., raising funds), and consistent with external best practices on Board governance
- Metrics and targets must be embedded in a single performance measurement system that **also evaluates how objectives are achieved** – i.e., in terms of competencies (respectively underlying values and behaviors)
- Seven **core competencies** are proposed that can be applied at all levels of the Secretariat, including Executive Director, to assess individual potential and development needs
- The proposed measurement process requires **prior setting of annual targets, regular Board updates** during the year and a **full evaluation of performance against metrics and competencies in Jan-Feb** of the following year, with a full report back at the **first Board meeting of the year**

CONTENTS

- **Overall approach**

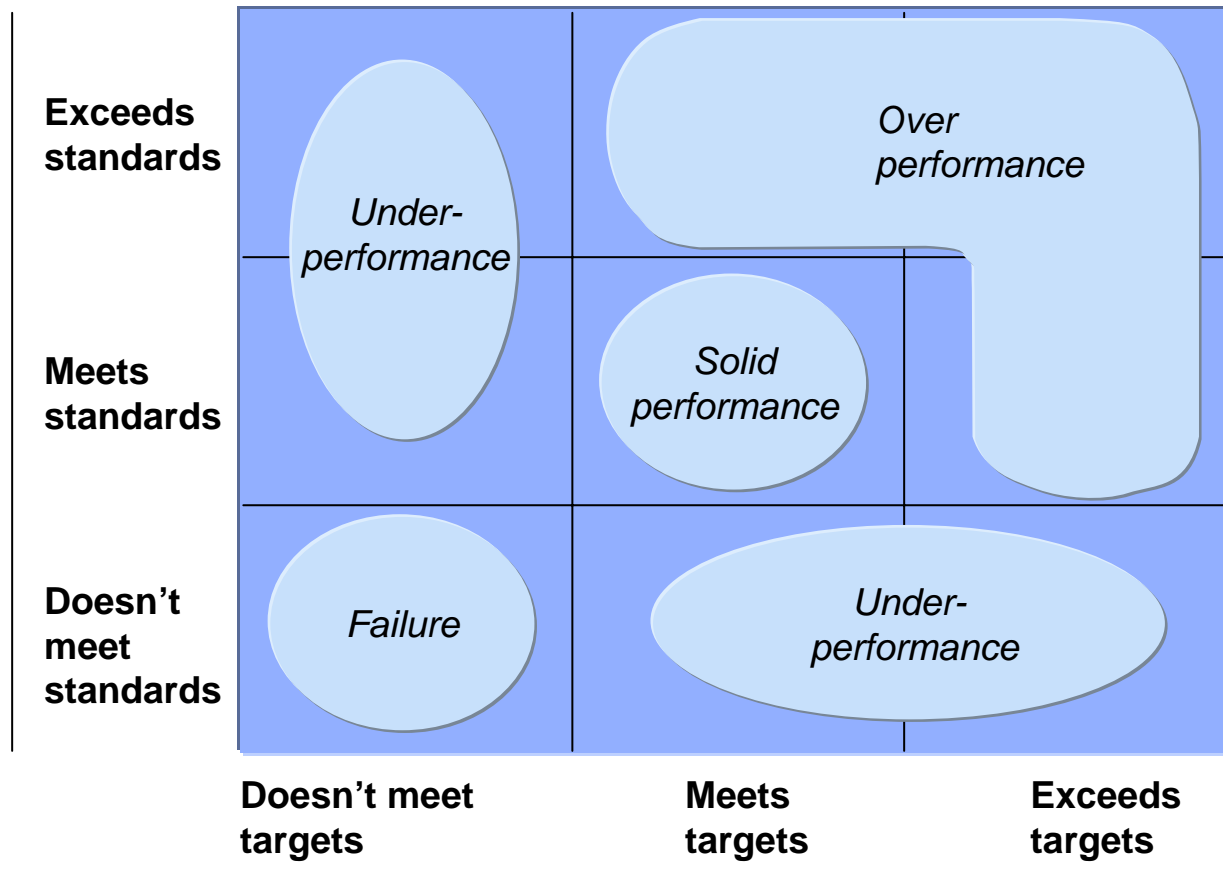
- Key Performance Indicators for Executive Director
- Competency model
- Executive Director performance measurement process
- Board objectives and metrics
- Decision points

PERFORMANCE MEASURES FOR THE GLOBAL FUND SHOULD BE BASED ON SOME KEY PRINCIPLES ACCORDING TO BEST PRACTICES

- 1 Approach should link individual targets/results (what should be/has been achieved) with the required competencies (how it has been/will be achieved)
- 2 Use a "balanced scorecard" for The Global Fund's approach on measures and targets, given its wide positive application/experiences both in the public and private sector
- 3 Identify consistent method to cascade Global Fund objectives through organization, separating responsibilities of Board vs. Secretariat
- 4 Include measures that track progress against 2-5 year strategic objectives – not just near-term goals
- 5 Integrate the performance measurement approach through the organization, integrating into annual performance measurement, talent development and strategy development cycles

1 APPROACH SHOULD LINK METRICS AND TARGETS WITH THE REQUIRED COMPETENCIES

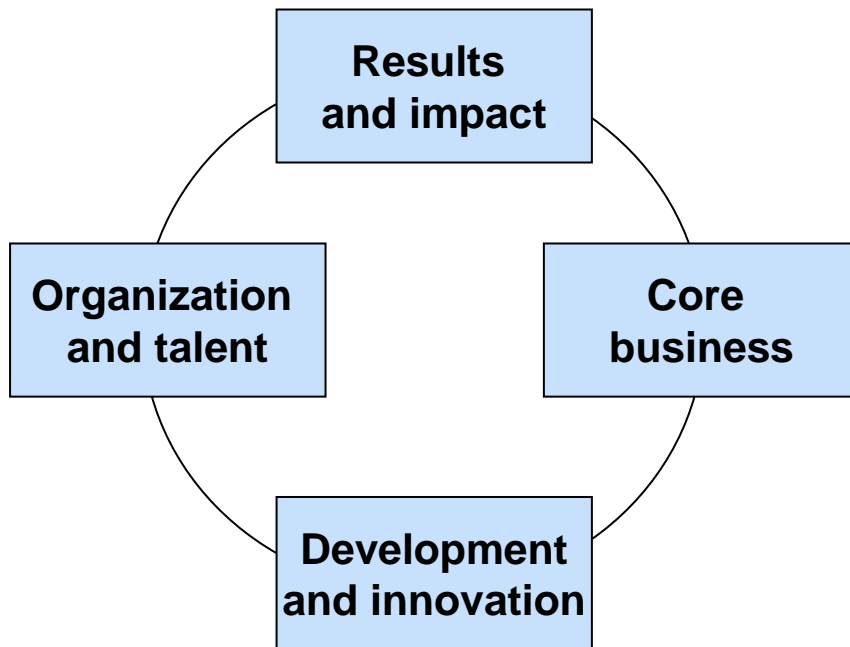
Competencies
(values and
behavior) – how
has it been
achieved?



Performance against objectives/targets –
what has been achieved?

2

BALANCED SCORECARD APPROACH IS PROPOSED FOR MEASURES/TARGETS TO CREATE A BALANCED FOCUS ON THE ESSENTIALS



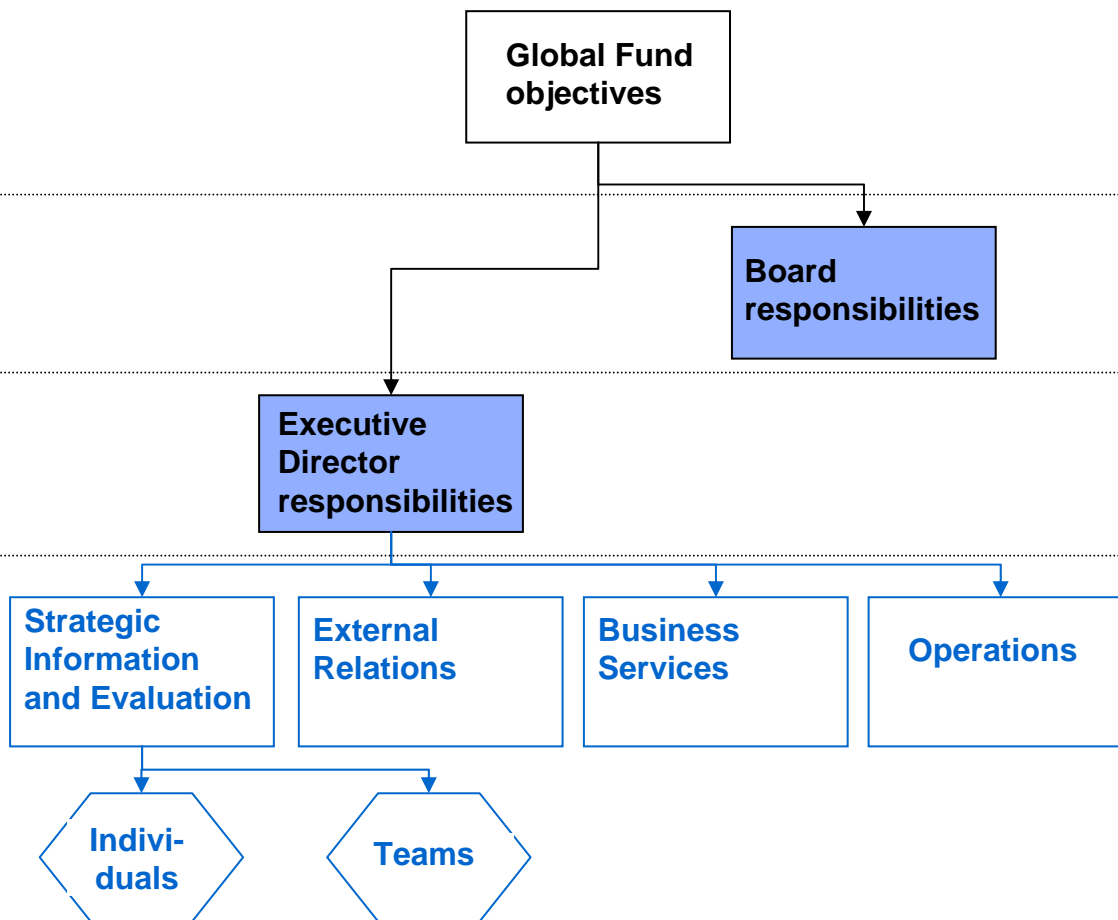
Key features

- Creates both focus on and balance between the essential performance pillars and associated measures
- Each one of the pillars should not get more than 4-5 measures
- Takes advantage of a broad experience base in both public and private sector

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EXECUTIVE DIRECTOR RESPONSIBILITIES SHOULD BE SEPARATED FROM THOSE OF BOARD, AND THEN CASCADED THROUGH SECRETARIAT

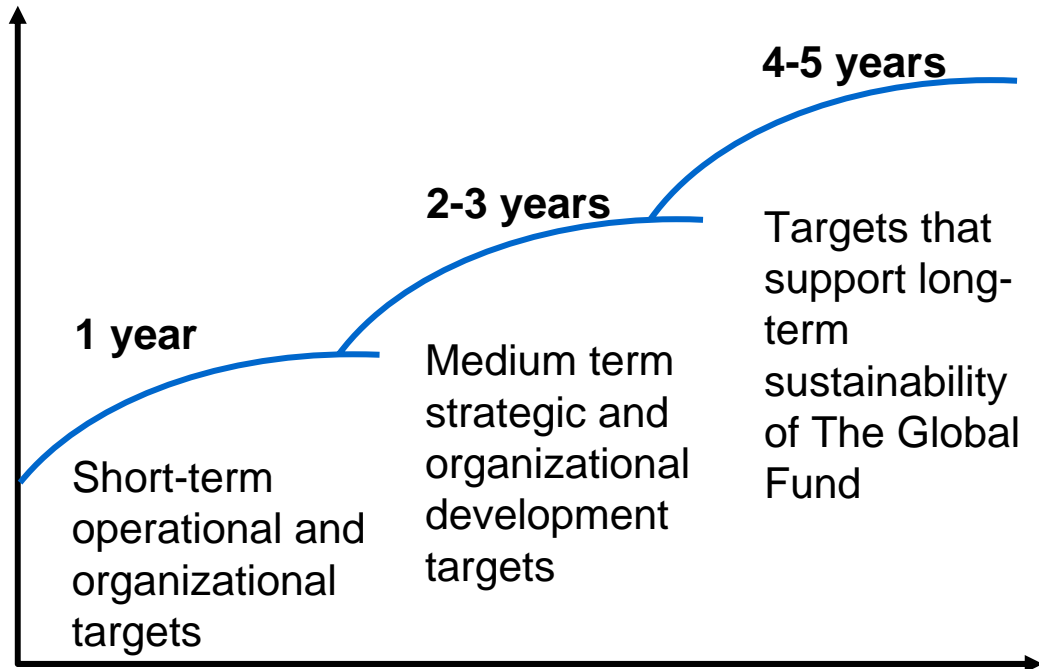
Focus of current initiative



- Step 1**
- Define objectives and targets for organization as a whole, based on mission, GF experiences and stakeholder expectations
- Step 2**
- Identify responsibilities that belong to Board, not Secretariat
- Step 3**
- Assign remaining responsibilities to Executive Director
- Step 4**
- Allow Executive Director to delegate responsibility for executing against objectives down through organization (not in scope of this project)

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PERFORMANCE MEASURES SHOULD ALSO REFLECT HORIZONS BEYOND 1 YEAR TO AVOID A SHORT-TERM FOCUS



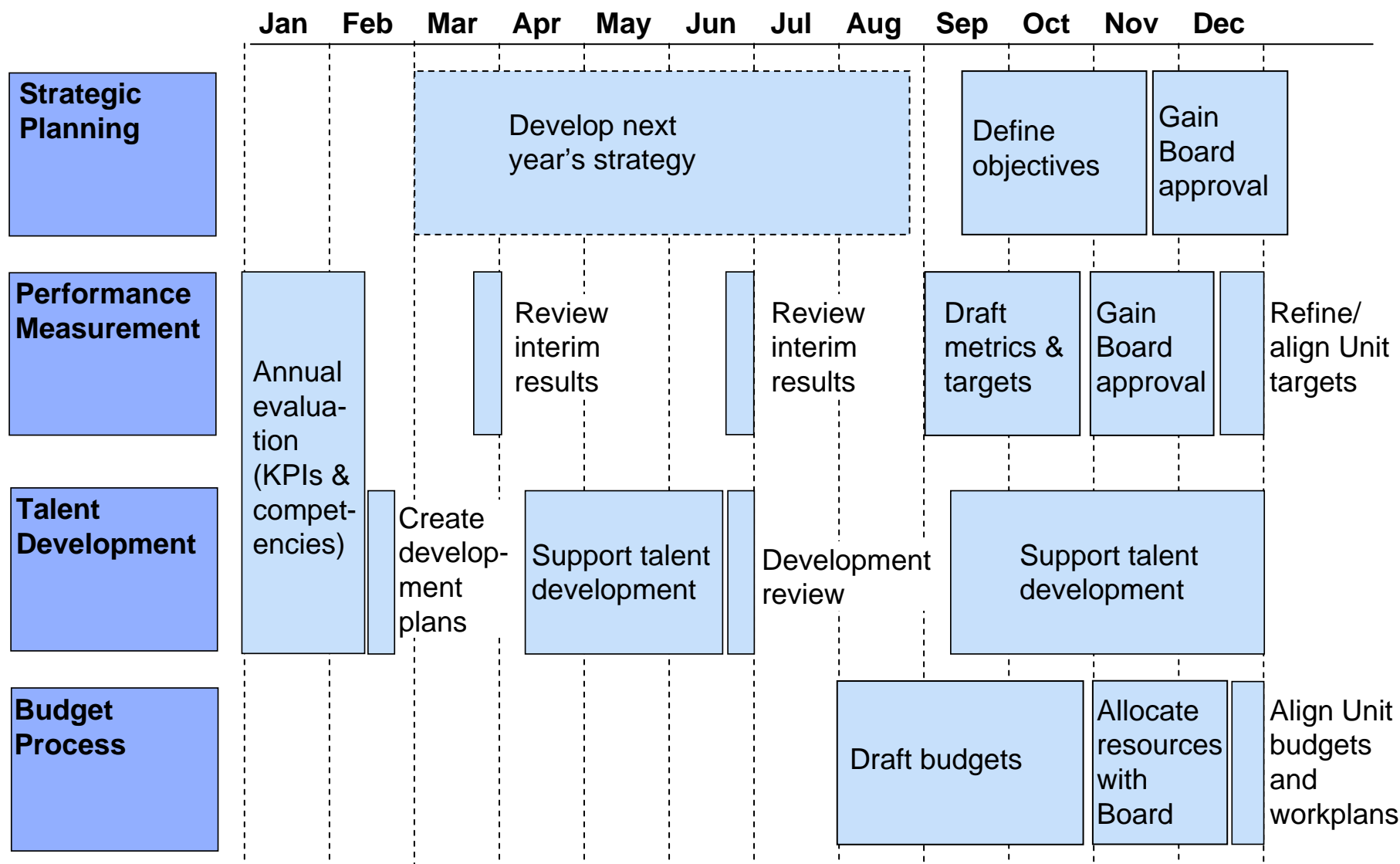
Example metrics

- Disbursement rate to programs
- % of 2006 financial needs pledged
- Completion of well-defined and agreed 3-year strategy

Annual targets of the ED / Global Fund should include Key Performance Indicators related to long-term business objectives

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PERFORMANCE MEASUREMENT SYSTEM MUST BE INTEGRATED INTO ANNUAL MANAGEMENT CYCLES OF THE GLOBAL FUND



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PROPOSED KPIs/TARGETS FOR EXECUTIVE DIRECTOR

 Shared responsibility with Board

Objective	Metric (KPI)		Target 2005	Weighting
Results & Impact	<ul style="list-style-type: none"> Finance the rapid scale-up of effective means to prevent and treat the three pandemics 	<ul style="list-style-type: none"> % of agreed targets reached by grants in Phase I (based on 18 months performance evaluation) 	<ul style="list-style-type: none"> 65% across the portfolio 	20%
Core business	<ul style="list-style-type: none"> Raise it: Mobilize sufficient resources to implement GF mission and meet country needs 	<ul style="list-style-type: none"> % of '05 funding needs contributed % of '06 needs for current and next rounds pledged 	<ul style="list-style-type: none"> 100% 70% 	40%
	<ul style="list-style-type: none"> Spend it: Scale-up disbursement to well-performing grants through effective grant management 	<ul style="list-style-type: none"> Amount \$ disbursed to Rounds 1-4 grants Average time between grant approval and first disbursement 	<ul style="list-style-type: none"> \$1.1 billion ('05 only) < 6 months 	
	<ul style="list-style-type: none"> Prove it: Make performance-based funding a reality 	<ul style="list-style-type: none"> Second and subsequent disbursements based on evidence of performance and expenditure (including disbursement to sub-recipients) 	<ul style="list-style-type: none"> 95% 	
	<ul style="list-style-type: none"> Communicate it: Drive consistent external communications 	<ul style="list-style-type: none"> All major reports, including periodic grant progress updates, produced and available on website in a timely manner* 	<ul style="list-style-type: none"> 80% on time 	
Development & Innovation	<ul style="list-style-type: none"> Develop strategy for sustainable success 	<ul style="list-style-type: none"> Completion of well defined 3- year strategy, including future rounds, with targets and milestones 	<ul style="list-style-type: none"> Strategy document completed for Board review by July 2005 	20%
Organization & Talent	<ul style="list-style-type: none"> Facilitate best-practice corporate governance 	<ul style="list-style-type: none"> Regular review of quality of Secretariat support to Board and committees 	<ul style="list-style-type: none"> 70% rating "satisfactory" or "very satisfactory" 	20%
	<ul style="list-style-type: none"> Develop organizational capacity and people to benefit mission 	<ul style="list-style-type: none"> Completion of plan for transition to a fully independent entity following signature of headquarters agreement % of staff with defined objectives and annual reviews of results, competencies and development Internal staff survey on professional satisfaction and motivation Operating expenses as % of grants under management and as a % of total expenditures Performance against 3 agreed diversity targets (gender, ethnicity, communities)* 	<ul style="list-style-type: none"> Complete plan by Nov '05 90% 70% rating "high" or "very high" < 3%, <10% 80% of targets met 	

* Detailed targets are available

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WE HAVE DRAFTED AN INITIAL LIST OF COMPETENCIES

Competencies	Key values and behaviors
1 Strategic thinking	<ul style="list-style-type: none">• Displays a broad strategic view by generating winning strategies• Focused on long-term vision, not just next year• Demonstrates strong problem solving skills on strategic issues• Finds innovative and creative means to address challenges
2 Results focus	<ul style="list-style-type: none">• Possesses a results orientation and holds himself and others responsible• Committed to act and achieve results with urgency• Displays sound business judgment
3 Team leadership	<ul style="list-style-type: none">• Uses influence, problem-solving skills, and charisma to inspire others• Manages team resource needs and trade-offs• Ensures respectful team dynamic• Ensures healthy work/life balance
4 Change leadership	<ul style="list-style-type: none">• Initiates and leads others through change• Builds the case for critical evolution of the organization• Takes calculated risks
5 People development	<ul style="list-style-type: none">• Coaches and develops talent• Provides open and constructive feedback• Fosters diversity
6 Collaboration/ communication	<ul style="list-style-type: none">• Effectively builds relationships with internal constituencies• Communicates effectively with in a multi-cultural environment• Engages in fair and equitable treatment of others• Ensures transparency of Global Funds activities and decisions
7 Functional/technical competence	<ul style="list-style-type: none">• Expert knowledge of development field and players• Technical expertise in disease areas and interventions• Functional expertise in project and financial management

COMPETENCIES WILL BE ASSESSED FOR EACH INDIVIDUAL ALTHOUGH RELATIVE IMPORTANCE WILL VARY ACCORDING TO ROLE

		Executive Director			Portfolio Manager		
		Useful	Important	Essential	Useful	Important	Essential
1	Strategic thinking	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
2	Results focus	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
3	Team leadership	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
4	Change leadership	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
5	People development	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
6	Collaboration/communication	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
7	Functional/technical competence	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>

- Competencies can't be all essential, even not for ED (hence, application of forced ranking)
- Importance of different competencies will vary across roles
- Will be reflected in assessments – competencies will have different weightings

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A CLEARLY-DEFINED PROCESS WILL BE USED TO EVALUATE EXECUTIVE DIRECTOR AGAINST KPIS/TARGETS AND COMPETENCIES

KPIs/Targets: assessment process

- Executive Director drafts Secretariat objectives, KPIs and targets and presents to Board for approval
- Executive Director reports interim progress against targets at each Board meeting
- Executive Director makes final report back on results at end of year

Competencies: assessment process

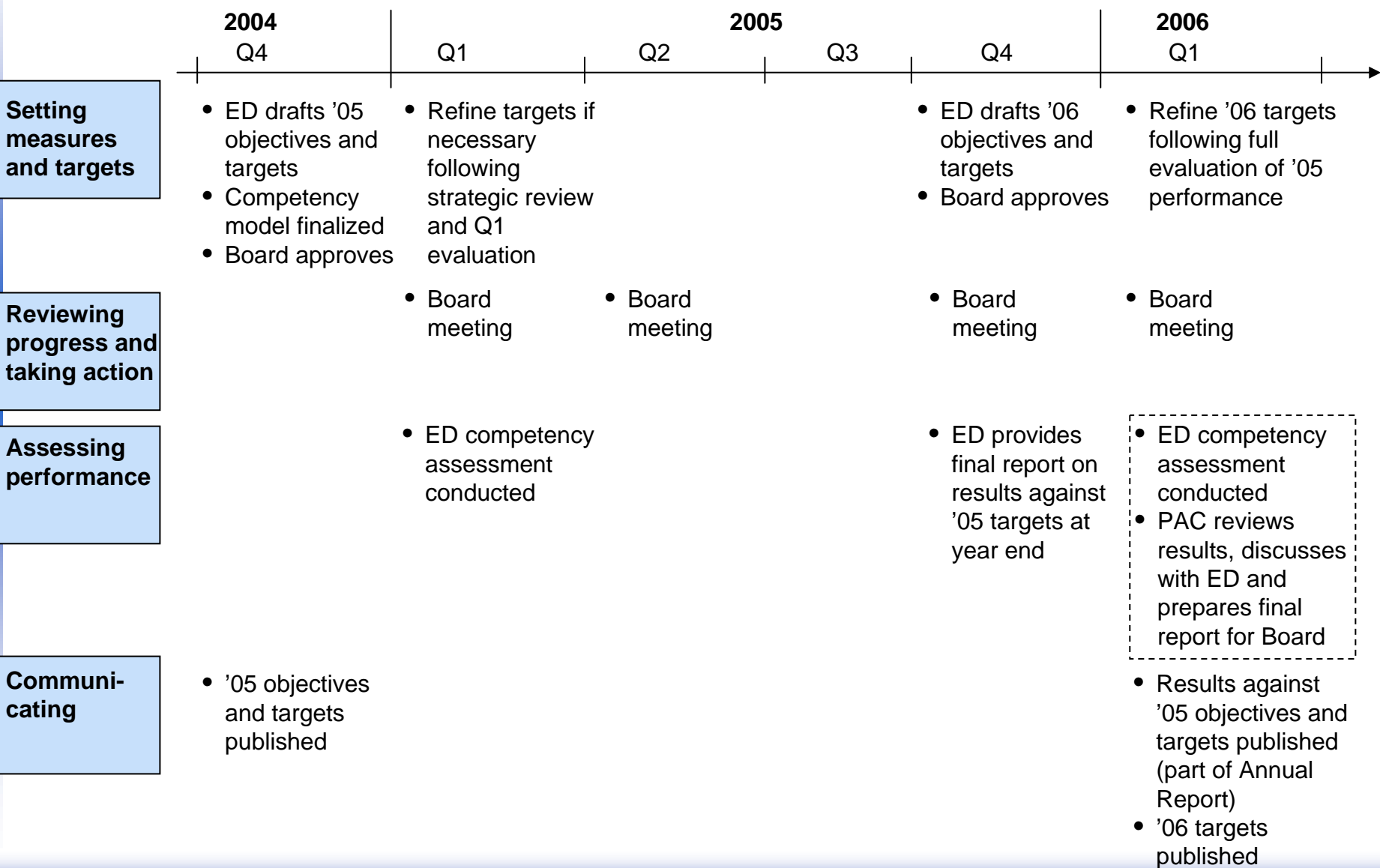
- Executive Director carries out self-assessment against competency model
- 360 degree feedback collected (from within Secretariat and Board) by external evaluator
- External evaluator interviews Executive Director and prepares final report

- 
- Performance assessment committee* (consisting of Board members only) constituted to
 - Meet with Executive Director
 - Review report on competencies (from external evaluator)
 - Assess KPIs results and decide on overall rating (“Meets targets”, “Exceeds targets”, “Does not meet targets”)
 - Prepare report for full Board

* Ad hoc committee – membership to be determined by Board

THIS SYSTEM WILL BE EMBEDDED OVER THE NEXT YEAR INTO AN ANNUAL PERFORMANCE MEASUREMENT CYCLE

 1st full evaluation



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CERTAIN RESPONSIBILITIES AND METRICS ARE SHARED BY THE BOARD

- **Board members are primary donors to Global Fund and are integral to resource mobilization**
- **Under Global Fund governance mechanisms, Board has responsibility for approving strategy and overall direction of the Fund**
- **Board oversees TRP and makes final decisions on grant approvals**
- **Board members have implementation role, offering local technical assistance to grantees and supporting CCMs**



Unlike typical private sector governance models, Board has active role in implementation of Global Fund mission and achievement of key objectives

FIVE KPIS/TARGETS ARE PROPOSED AS RESPONSIBILITIES FOR THE BOARD

	Objective	Metric (KPI)	Target 2005	
Results and impact	<ul style="list-style-type: none"> Finance the rapid scale-up of effective means to prevent and treat the three pandemics 	<ul style="list-style-type: none"> % of agreed targets reached by grants in Phase I (based on 18 months performance evaluation) 	<ul style="list-style-type: none"> 65% across the portfolio 	Shared responsibility – assess Board contribution when evaluating ED performance
Core business	<ul style="list-style-type: none"> Mobilize sufficient resources to implement GF mission and meet country needs 	<ul style="list-style-type: none"> % of '05 funding needs contributed % of '06 needs for current and next rounds pledged 	<ul style="list-style-type: none"> 100% 70% 	
	<ul style="list-style-type: none"> Support implementation at country-level 	<ul style="list-style-type: none"> % of CCMs meeting agreed standards of performance 	<ul style="list-style-type: none"> 75% 	
Development & Innovation	<ul style="list-style-type: none"> Approve 3- year strategy for Global Fund (based on draft proposal from the Secretariat) 	<ul style="list-style-type: none"> Approval of well defined and agreed 3 - year strategy, including future rounds, with targets and milestones 	<ul style="list-style-type: none"> Board-approved strategy by Nov 2005 	
Organization & Talent	<ul style="list-style-type: none"> Achieve best practice governance through rigorous oversight and efficient decision-making 	<ul style="list-style-type: none"> Annual internal Board survey of effectiveness of Board and Committee mechanisms 	<ul style="list-style-type: none"> 80% rating “effective” or “very effective” 	

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DECISION POINTS FOR BOARD

Decision 1

The Board adopts the proposed methodology for measuring the Executive Director's performance :

- Assessment of Executive Director against two dimensions (Key Performance Indicators and competencies)
- Adoption of best practice "balanced scorecard" approach to define Executive Director Key Performance Indicators
- Use of a system that can be used consistently at all levels of the Secretariat to measure performance, and integrated into other key processes such as talent development, strategic planning, budgeting

Decision 2

The Board approves the proposed 14 Key Performance Indicators for the Executive Director and associated 2005 targets (see page 10 of Annex 1) .

Decision 3

The Board approves the competency model and associated behaviours that will be used to assess how the Executive Director has achieved targets (see page 12 of Annex 1)

Decision 4

The Board agrees to the timing and process for annual evaluation of Executive Director performance:

- KPIs and targets proposed by Executive Director and approved by Board before start of year
- Assessment of competencies led by external evaluator (professional assessment firm)
- Final report on Executive Director performance prepared by a small Performance Assessment Committee (consisting of Board members) in Jan-Feb of each year

Decision 5

The Board agrees to the adoption of 5 key Board objectives, metrics and targets for which it has responsibility (related to results and impact, mobilizing resources, supporting country-level implementation, deciding on long-term strategy and providing best practice governance), and agrees to an annual self-evaluation against these targets (see page 19 of Annex 1 for details)

French amendment to DECISION POINTS FOR BOARD

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Canada amendment to DECISION POINTS FOR BOARD

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Decision 5

The Board requests the Governance and Partnership Committee to consider objectives, metrics and targets for the Board and report back to the Tenth Board Meeting

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APPENDIX

DETAILED COMMUNICATIONS AND DIVERSITY TARGETS

Overall metric	Detailed description	Targets
Communicate it: Drive consistent external communications	<ul style="list-style-type: none"> • Complete Replenishment Conference documents <ul style="list-style-type: none"> – Disease Report: Status of the Epidemics – Funding Overview: Global Needs for AIDS, TB and malaria and the role of the Global Fund in addressing those needs – Progress Report: Program and secretariat Performance • Complete Annual Report for Board review • Complete Millennium Goals Scenario Report: The Global Fund's role in achieving the MDGs • Complete monthly progress reports, disbursement status reports and resource mobilization reports on time • Provide periodic grant progress updates 	<ul style="list-style-type: none"> • 4 Mar • 22 Mar • 15 Sept • Monthly • Minimum twice per year
Performance against 3 agreed diversity targets (gender, ethnicity, communities)*	<ul style="list-style-type: none"> • Proportion of women in senior management (P5 through D2) • Representation of 5 main regions (Europe, Asia, Pacific & Middle East, Africa, N. America, Latin America) within staff • Recruitment of people from communities directly affected by pandemics 	<ul style="list-style-type: none"> • 40% • At least 15% of total staff from each of 5 main regions • 2-3 recruits per annum