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# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

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GF/B15/10

## REPORT OF THE PERFORMANCE ASSESSMENT COMMITTEE

**Outline:** This document contains the final report of the Performance Assessment Committee (PAC) on the 2006 Key Performance Indicators (KPIs) and associated targets for 2006. In addition, the PAC report proposes a revised Competency Model for the Executive Director and makes recommendations on the annual performance evaluation process for the Executive Director and key responsibilities going forward.

### Decision Points:

1. The Board takes note of the end of year report by the Performance Assessment Committee (PAC) on the Corporate Key Performance Indicators (KPIs) 2006. It is fully satisfied with the indicators for which targets were met or exceeded. While it notes that there is a material shortfall in 4 KPIs, the Board accepts the reasons given as to why these targets were not met. Overall, the Board regards the results achieved in 2006 as a reflection of the performance based culture of the Global Fund and is pleased with the significant progress achieved in embedding this culture throughout all Global Fund activities.

There are no material budgetary implications for this decision.

2. The Board approves the revised Competency Model and associated behaviors that will be used to assess how the Executive Director has set about achieving the various performance targets as detailed in Attachment 1 to paper GF/B15/10)

There are no material budgetary implications for this decision.

3. The Board approves the revised process and responsibilities for the annual performance evaluation of the Executive Director as outlined in GF/B15/10)

The budgetary implications of this decision are US\$ 100 000.

## Part 1: Introduction

1. At its Thirteenth Board Meeting, the Board reaffirmed its commitment to the Performance Measurement System for the Executive Director adopted at the Ninth Board Meeting in Arusha. This system assesses the performance of the Executive Director along two dimensions: Key Performance Indicators/Targets (*what* is achieved) and Competencies (*how* targets are achieved).
2. In addition, the Board requested the Chair and Vice Chair of the Board to appoint a Performance Assessment Committee (PAC) whose tasks included (but were not limited to) the implementation of the full Performance Measurement System for the Executive Director, with particular attention to establishing a revised list of competencies. The PAC was also requested to provide an interim and a final report to the Board in November 2006 and April 2007 respectively.
3. This paper begins with a final report of the PAC on the results achieved against the 2006 KPIs and targets. It then introduces the proposed revised Competency Model, which would complement the KPIs in the future performance evaluation of the Executive Director if adopted by the Board. It concludes with recommendations on the annual performance evaluation process for the Executive Director and key responsibilities going forward.

## Part 2: Final Report on 2006 Corporate Key Performance Indicators

1. At its Thirteenth Board Meeting, the Board approved a set of fifteen Corporate Key Performance Indicators (KPIs) and associated targets for 2006<sup>1</sup>. These KPIs have two main aims. Firstly, they are used to measure systematically the performance of the Secretariat and the Global Fund as a whole in advancing the core priorities of the organization year by year. Secondly, they are part of the criteria against which the performance of the Executive Director is measured.
2. At its Fourteenth Board Meeting, the Board received a progress update on the achievement of these Corporate KPIs through the PAC. The following describes the year-end results for the Corporate Key Performance Indicators for the calendar year 2006.
3. A total of 15 KPIs were set for 2006. The PAC notes the following results:
  - i. Results exceeded targets for 5 indicators
  - ii. For another 5 indicators, results equaled or were within 10% of the target
  - iii. In the case of four indicators, results fell short of the target by more than 10%
  - iv. Results are still missing for one indicator<sup>2</sup>

For an overview of the year-end results please refer to the attached Table 1
4. The four indicators for which results fell more than 10% below target were reviewed by the PAC in detail and the explanations provided below were regarded as satisfactory.
5. KPI: Amount \$ disbursed to Round 1-5 grants. Target: \$1.5 billion
  - i. At the Fourteenth Board Meeting, the Secretariat reported to the Board that it expected the amount disbursed by the end of the year to be slightly below the target. At the end of the year, the total amount disbursed was US\$1.32 billion. Among the reasons for the difference between the target and actual disbursement amounts is the late signing (and thus disbursement) of a number of Round 5 grants and the delay in some Phase 2 grant

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<sup>1</sup> See Annex 1 of GF/B13/12.

<sup>2</sup> Results for the indicator on staff motivation and satisfaction will only be available in Q2 of 2007 when the Global Fund Staff Survey will have been completed

signing largely as a result of Conditions Precedent in grant agreements to be addressed before signing and/or disbursement.

6. KPI: Funding follows performance: Well-performing grants receive a higher percentage of expected disbursements than poor-performing grants. Target: "A" rated grants receive 30% more than B2/C

- i. In 2006, "A" rated grants received 24% more than "B2"/"C" rated grants. The Secretariat is continuously working to strengthen the decision-making systems for disbursements, by streamlining the processes and improving the tools to guide performance-based disbursement decisions. Further improvement of performance-based funding over the next 12 months is expected to contribute to improvements to this KPI in the future.

7. KPI: Average time between grant approval and first disbursement. Target: 8 months

- i. The result for this indicator was 9.4 months. The KPI measurement is based on the median time from approval to first disbursement for all Round 5 grants, taking into account that grants had different approval dates (September and December 2005). Due to complex country situations, four countries (7 grants) received a 3-month extension of the 12-month signing deadline. Additionally, several grants have had delays in their first disbursement due to Conditions Precedent in grant agreements.

8. KPI: The number of countries where annual reviews carried out with partners and are used in grant evaluations. Target: 20

- i. In 2006, 17 joint reviews were carried out, reflecting 85% achievement of the target. However, this KPI has not proved to be as effective in measuring harmonization as expected. An alternative indicator for the 2007 Corporate Key Performance Indicators was approved by the Board at the Fourteenth Board Meeting<sup>3</sup> to measure more effectively efforts towards harmonization.

9. Overall, the PAC is satisfied with the 2006 results and regards the results achieved, as well as with the remedial measures for those that were not achieved, as a reflection of the strong performance culture within the Global Fund.

### **Decision Point 1:**

***The Board takes note of the end of year report by the Performance Assessment Committee (PAC) on the Corporate Key Performance Indicators (KPI) 2006. It is fully satisfied with the indicators for which targets were met or exceeded. While it notes that there is a material shortfall in 4 KPIs the Board accepts the reasons given as to why these targets were not met. Overall, the Board regards the results achieved in 2006 as a reflection of the performance based culture of the Global Fund and is pleased with the significant progress achieved in embedding this culture throughout all Global Fund activities.***

***There are no material budgetary implications for this decision.***

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<sup>3</sup> GF/B14/DP39

**Table 1 PERFORMANCE AGAINST CORPORATE KEY PERFORMANCE INDICATORS 2006**

Corporate priority	Metric (KPI)	Target 2006	End of Year Results
1. Develop the Global Fund's strategy and business model	Completion of a well defined 4-year strategy	Nov 2006	Board decisions taken/ implementation started on most strategic issues. Option development continuing for outstanding issues
2. Scale-up interventions, ensure grant performance, and increase alignment and harmonization	% of agreed targets reached by grants in Phase I (based on 18 month performance evaluation)	80% across the portfolio	94% <sup>1</sup>
	% of grants addressed successfully <sup>2</sup> out of those identified by the Early Alert and Response System (EARS) prior to Phase 2 evaluation.	60%	56% <sup>3</sup>
	Amount \$ disbursed to Rounds 1-5 grants	\$1.5 billion	\$1.324 billion disbursed <sup>4</sup>
	Average time between grant approval and first disbursement <sup>5</sup>	8 months	9.4 months <sup>6</sup>
	Funding follows performance: Well-performing grants receive higher % of expected disbursements than poor-performing grants	"A" rated grants receive 30% more than "B2"/"C"	"A" rated grants received 24% more than "B2"/"C" rated grants <sup>7</sup>
	# of countries where annual reviews carried out with partners are used in grant evaluations	20	17 reviews conducted <sup>8</sup>
3. Managing for results and measuring the impact of investments	% of grants during Phase 2 which measure impact as part of performance	90%	96% <sup>9</sup>
	All grant reports, scorecards, performance frameworks, GPR, updated and available on the web within defined time limits	95%	100% documents received by Online Team are on web within 1-2 days <sup>10</sup>
4. Secure resources to meet '06 and '07 needs	% of '06 funding needs contributed	100%	92% <sup>11</sup>
	% of '07 needs pledged	70%	67% <sup>12</sup>
5. Enhance internal systems to ensure a high-performing, well-managed, and efficient Secretariat	% of staff with defined objectives and annual reviews of results and development	90%	94% of staff have defined objectives; annual reviews completed
	Internal staff survey on professional satisfaction and motivation	70% rating 'high' or 'very high'	Survey currently being conducted
	Operating expenses as % of grants under management and as a % of total expenditures	<3%, 10%	1.5% and 4.1%
	Performance against 3 agreed diversity targets (gender, ethnicity, communities)	80% of targets met	Overall average (median) 87%. Diversity target breakdown: Gender: 95%, Ethnicity: 76%, Communities: 100%

### Part 3: Competency Model for the Executive Director

1. At its Thirteenth Board Meeting, the Board requested the PAC to develop a revised Competency Model and associated competencies for the Executive Director and present it to the Board.
2. Due to other priorities, further development of the Competency Model for the Executive Director was delayed until earlier this year. In February, 2007, the PAC and the Global Fund Secretariat supported by the Consulting Firm Athos Origin, engaged in an effort to refine the Competency Model for the Executive Director with the aim of ensuring that a complete performance assessment framework was in place by the time the new Executive Director took office.
3. The development of the Competency Model was based on consideration of the following inputs:
  - i. A review of the competencies outlined in the Executive Director's ToRs and selection criteria.
  - ii. The initial high level and preliminary outline of the Executive Director Competencies developed in 2004.
  - iii. The Global Fund Framework Document, Core Values and Staff Survey Results
  - iv. Interviews with the Chair of the PAC, the Chair of the Nominations Committee, and the Executive Management Team.
  - v. A review of international research by leading thinkers on competencies of high performing CEOs.
4. Based on these inputs, the PAC proposes a Competency Model consisting of 11 Competencies for the Executive Director in the following four broad behavioural clusters: (a) cognitive/ strategic thinking behaviours; (b) involving/ participating behaviours; (c) influencing behaviours; and (d) performing/ achieving behaviours (see Table 2).

**Table 2: Proposed Competencies for the Executive Director**

<b>COGNITIVE / STRATEGIC THINKING BEHAVIOURS</b>	Seeking information:	Obtaining and synthesizing facts so that opinions can be formed and decisions made
	Solution oriented analysis:	Applying analysis and strategic thinking to identify effective options for action
	Sound decision making:	Weighing up different solutions and making informed decisions
<b>INVOLVING / PARTICIPATING BEHAVIOURS</b>	Understanding others:	Having awareness about others and taking into account their views
	Promoting team-working:	Fostering respect, collaboration and accountability for shared objectives
	Developing capability:	Ability to learn and fostering the development and learning of others
<b>INFLUENCING BEHAVIOURS</b>	Building relations and partnerships:	Creating mutually beneficial outcomes
	Raising confidence:	Inspiring others through resolve, passion and vision
	Communicating effectively:	Being clear and engaging in communications
<b>PERFORMING / ACHIEVING BEHAVIOURS</b>	Results orientation:	Taking action and addressing barriers to progress proactively
	Managing performance:	Setting goals, and ensuring progress against them

5. A detailed description of this Competency Model and associated behaviors is presented in Attachment 1 (pages 8-24), to this report. However, the PAC would like to emphasize the following considerations in reviewing this framework:

- i. The Competency Framework has been validated through international research and field testing. The basic framework was then adapted further so as to reflect the specific needs of the Global Fund.
- ii. The range of competencies is sufficiently broad to encompass roles undertaken throughout the organisation, and all staff will thus be evaluated against the same basic competencies to ensure coherence and consistency. However, the definition of the levels of performance is tailored to reflect different roles and levels of responsibility in the organization.
- iii. There are five levels of performance for each competency (1 being the lowest and 5 being the highest). A competency assessment grid describes the behaviours associated with each level and competency in detail (see pages 13-23 of Attachment 1).
- iv. The Model also allows for different weighting of competencies, so as to give relative emphasis to some competencies over others, depending on the role and areas of focus/development for any given year. This weighting, described in pages 11 and 12 of Attachment 1, has to be agreed between the supervisor and the staff member (in the case of the Executive Director, with the Chair and Vice Chair of the Board).

#### **Decision Point 2:**

***The Board approves the revised Competency Model and associated behaviors that will be used to assess how the Executive Director set about achieving the various performance targets as detailed in Attachment 1 to paper GF/B15/10)***

***There are no material budgetary implications for this decision.***

#### **Part 4: Executive Director Performance Cycle**

1. In addition to the revised Competency Model, the PAC also proposes a slightly revised process and associated responsibilities in the performance evaluation of the Executive Director going forward.

2. KPI Assessment Process: The PAC recommends that the Policy and Strategy Committee (PSC) be given the responsibility of overseeing the development and reporting on Corporate KPIs in the future. The rationale for assigning this role to the PSC is to ensure consistency between strategic and policy priorities and the Corporate (and Executive Director's) KPIs. To this end, it is recommended that the PSC carries out the following activities on an annual basis:

- i. **August/September PSC Meeting:** Review a mid-year progress update on KPIs and targets for the current calendar year; review a draft of the proposed KPIs and targets for the following calendar year (provided by the Executive Director) and agree amendments as necessary (to ensure that the PSC recommended Corporate KPIs for the following year are also reflected in the budget discussions of the Finance and Audit Committee it is suggested that the PSC meet at least 3-4 weeks before the FAC);
- ii. November Board Meeting: Provide a progress update on current year KPIs; present the proposed KPIs and targets for the following year to the Board for approval
- iii. February/March PSC Meeting: Receive and discuss the final Secretariat report on the KPIs/Targets for the previous year

- iv. April Board Meeting: Present final results report to the Board
3. Executive Director Performance and Competency Assessment Process: The PAC recommends that the Chair and Vice Chair of the Board take responsibility for overseeing the annual performance and competency assessment process of the Executive Director. The Chair and Vice Chair would:
- i. Meet with the Executive Director in January of each year (and exceptionally in May for the year 2007) to discuss the Global Fund KPIs/Targets and the required Executive Director competencies and agree on focus areas and weightings for the particular year;
  - ii. Conduct an informal assessment and feedback meeting with the Executive Director by the end of June of each year (and exceptionally in September in the year 2007) to discuss areas of strengths and weaknesses;
  - iii. Select and contract an external consultant by the end of October of each year who will conduct the formal Competency Evaluation of the Executive Director using a 360 degree approach and inform the Board of their choice at its November meeting;
  - iv. Receive the report of the external consultant by January of the following year;
  - v. Meet with the Executive Director to discuss results and make adjustments where required by end of February;
  - vi. Report to the Board on results at its April meeting.
4. If the Board approves this revised approach and associated responsibilities, the PAC will be dissolved.

**Decision Point 3:**

***The Board approves the revised process and responsibilities for the annual performance evaluation of Executive Director as outlined in GF/B15/10)***

***The budgetary implications of this decision are US\$ 100 000.***

## Explanatory footnotes

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<sup>1</sup> This figure represents the mean for the top ten indicators of the 215 grants which had undergone Phase 2 evaluation by 31 December 2006.

<sup>2</sup> The term 'addressed successfully' refers to an improvement in the grant performance rating to an "A" or "B1" rated grant in the Phase 2 assessment.

<sup>3</sup> Of 38 grants identified by EARS, 9 underwent a Phase 2 review, of which 5 (or 56%) were addressed successfully.

<sup>4</sup> The difference between target and actual disbursement amounts is due, in part, to the late signing (and thus disbursement) of a number of Round 5 grants and the delay in some Phase 2 disbursements due to Conditions Precedent needing to be addressed before disbursement.

<sup>5</sup> Due to resource constraints, Round 5 was approved in two "batches", the first in September 2005 and the second in December 2005 which resulted in two different deadlines. As a result, the KPI measurement is based on an average time for both "batches".

<sup>6</sup> The median has been calculated from the total number of grants approved (72). Delays were due to extensions in grant negotiation time and conditions precedent. The 68 disease components approved in Round 5 resulted in 72 grants due to multiple PRs being assigned per component in four countries.

<sup>7</sup> The information is based on 287 grants with performance rated disbursements through 31 December 2006.

<sup>8</sup> The "reviews" reported for 2006 refer to a number of joint in-country activities, including joint assessment missions, joint program reviews or other specific collaborative activities involving an assessment or evaluation of a program or project. The Board has determined that this indicator will change for 2007 to better reflect harmonisation efforts. The new indicator [recommended by the Global Task Team (GTT) and monitored as part of the OECD-DAC] is defined as: "percent of grants aligned with country or Principal Recipient (PR) fiscal cycle".

<sup>9</sup> Data based on 146 phase 2 grants with finalized attachments as of December 2006. Please note that these are grants with built-in impact frameworks, which can include both impact and outcome indicators.

<sup>10</sup> All documents received by online team are on web within 1-2 days. However, there is not yet a specific system to monitor the time from creation of documents to receipt by the online team. This KPI has been aligned with the Performance Indicators for the Global Fund and amended to more accurately reflect whether published data is up-to-date. The Board has determined that the KPI for 2007 is: '% of grants with complete progress and financial data published in grant performance report at time of disbursement (within 2 weeks).' The KPI target for 2007 is 90%.

<sup>11</sup> US\$ 1.937 billion contributed, vs. 2006 needs of US\$ 2.109 billion. The difference is due to a few outstanding contributions that were in process to be paid early in 2007.

<sup>12</sup> US\$ 2.016 billion pledged for 2007 vs. 2007 needs of US\$ 2.987 billion.