

Electronic Report to the Board

Governance Performance Assessment Framework

GF/B33/ER11
Board Decision

PURPOSE: Presents the Global Fund Governance Performance Assessment Framework developed by the Transitional Governance Committee, covering Board, committees, their leadership as well as advisory bodies. This document proposes one decision point as follows:

1. GF/B33/EDP18: Approval of the Governance Performance Assessment Framework

The budgetary implication of this decision will be absorbed within each year's Board-approved operating expenses budget. All efforts will be made to reduce costs by using internal resources. Based on benchmarking analysis of comparable organizations, the estimated cost is between USD 100,000 to USD 200,000 [per year]. The final amount will be reported to the Board once a service provider is identified.

I. Decision Point

1. Based on the rationale described below, the following electronic decision point is recommended to the Board:

Decision Point: GF/B33/EDP18: Approval of the Governance Performance Assessment Framework

- 1. Based on the recommendation of the Transitional Governance Committee, the Board approves the Governance Performance Assessment Framework, as set forth in Annex 1 to GF/B33/ER11 (the “Framework”).***
- 2. The Board agrees with the approach for partially implementing the Framework in 2015, as described in GF/B33/ER11, and acknowledges that full implementation of the Framework will start in 2016.***

The budgetary implication of this decision will be absorbed within each year’s Board-approved operating expenses budget. All efforts will be made to reduce costs by using internal resources. Based on benchmarking analysis of comparable organizations, the estimated cost is between USD 100,000 to USD 200,000 [per year]. The final amount will be reported to the Board once a service provider is identified.

II. Relevant Past Decisions

Relevant past Decision Point	Summary and Impact
GF/B32/DP05: Approving the Governance Plan for Impact¹	<p>The Board approved the creation of the Transitional Governance Committee charged with the implementation of the recommendations in the Governance Plan for Impact. These recommendations included to “Develop a Performance Assessment Framework and oversee the process of performance assessments of the Board and Committees”.</p> <p>This report has no impact on this decision point.</p>

III. Action Required

2. In the event that the Board approves the above decision point, the following actions will be required:

- Finalize tools and oversee performance assessment of Board, committees and advisory bodies, including leadership for 2015 (Aug-Oct Board Leadership, TGC and supported by OBA). Results to be reported at November 2015 Board Meeting.

¹ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/DP05/>

- Launch a competitive Request for Proposals (Q4 2015 -Q1 2016) to identify a qualified and cost-efficient external third party to develop additional tools and processes required to implement the established Global Fund Governance Performance Assessment Framework.
- External third party, under oversight of committee responsible for Governance, develop tools and processes to support the implementation of the established Framework, building on existing tools, and conduct Board and Committee performance assessments. (Q2-Q3 2016)
- Committee responsible for governance, together with the Chair and Vice- Chair of the Board (the “Board Leadership”), to work with external third party to implement and oversee the process of the 2016 Board and committee performance assessment using the established Framework (Q3-Q4 2016 – following the last committee and Board meetings of the year).
- External third party conducts analysis of results and results are reported to the Board at the first Board meeting of 2017.

IV. Background

01 Need for an established performance assessment framework

3. In 2014, the Office of the Inspector General (the “OIG”), at the request of the then Board Leadership completed an in-depth review of the governance structure and systems in place at the Global Fund (“Governance Review”). The Governance Review focused on the six core functions of the Global Fund Board: Strategy Development; Commitment of Financial Resources; Partnership Engagement, Resource Mobilization and Advocacy; Assessment of Organizational Performance; Risk Management and Governance Oversight.

4. As an outcome of this review the OIG identified that the Board did not have an established “framework to periodically assess governance and advisory bodies”² as mandated by the by-laws. The Governance Review included a survey to all Board Members, former and current chairs and vice-chairs of the committees and the Global Fund Management Executive Committee. The survey included a question on how the Board preferred to address this identified area of weakness. Three options were proposed:

- a) Comply with the existing responsibility of the Board to conduct routine robust assessments of the governance bodies’ performance.
- b) **Require assessment of the governance bodies’ performance by an external third party under the oversight of the Coordinating Group.**
- c) Change structures and establish a committee dedicated to monitoring and overseeing all governance activities including the assessment of committee performance, e.g. a governance committee overseeing the governance of governance.

5. The results of the survey showed a preference for option b – to require an assessment of the governing bodies’ performance by an external third party.

² GF-OIG-14-008 Governance Review, 6 June 2014

6. The results of the Governance Review were taken forward by the Ad Hoc Working Group on Governance (WGG), a working group established following the Thirty-First Board Meeting in March 2014. The aim of the WGG was to build on the governance improvements that have emerged from previous reforms.

02 Past assessments of the Global Fund's governing bodies

7. As part of its work, the WGG researched whether performance assessments of the governing bodies had been conducted in the past. The WGG determined that while some assessments, outlined below, had been conducted, no standardized framework had yet been developed and assessments were either placed on hold or performed ad hoc.

8. The WGG determined that in 2011, the Global Fund had commissioned the development of a Board Health Annual Survey. This survey was developed by McKinsey & Co., who also administered the survey in 2011 and provided the analysis of the results which was presented to the Board by Board Leadership. The Office of the Board Chair administered the survey and provided the analysis of results in 2012 which were again presented to the Board by the Board Chair. The issuance of this survey was put on hold in 2013 and 2014 pending the results of the Governance Review and the work of the WGG.

9. A standard committee performance assessment evaluation tool to be used after each meeting was developed by the Office of the Board Chair in collaboration with the Coordinating Group in 2013. The evaluation tool was issued to all three committees (Strategy, Investment and Impact Committee, or the "SIIC", Finance and Operational Performance Committee, or the "FOPC", and the Audit and Ethics Committee, or the "AEC") in April 2013. The results of the evaluation were discussed in the subsequent committee meetings.

- a) The evaluation tool was re-issued in October 2013 to the SIIC and FOPC. The AEC opted to complete a more detailed self-assessment based on industry standard tools for audit committees.
- b) Further self-assessments for the SIIC and FOPC were put on hold pending the results of the WGG. The AEC committee re-issued its self-assessment in July 2015.

10. Based on this research, the WGG included a recommendation on performance assessments that was approved, together with other recommendations contained in its final report the "Governance Plan for Impact"³, at the Thirty-Second Board Meeting in November 2014. This recommendation included the creation of a transitional committee that would be charged to "Develop a Performance Assessment Framework and oversee the process of performance assessments of the Board and committees, including the assessment of leadership."⁴

V. The proposed Global Fund Governance Performance Assessment framework

01 Benchmarking and best practice

11. Following the Board approval of the Governance Plan for Impact, the Board established the Transitional Governance Committee (the "TGC"), who were charged with developing an established

⁴ Governance Plan for Impact, Annex II, Section 6.II.

performance assessment framework and with overseeing the process of the assessments of the Board and its current standing committees and leadership.

12. As part of the background work for this workstream, the TGC conducted a benchmarking activity, looking at the performance assessment tools and processes used for other comparable organizations including GAVI, UNITAID, PMNCH and several international NGO's including HIV Alliance, Health Metric Network. The results showed a varied approach to performance assessment ranging from a self-assessment tool developed and administered by the Secretariat of the organization and overseen by the Board or committee itself to a completely outsourced process with the tools and assessments being implemented by an external third party. The frequency of assessment ranged from annual to bi-annual.

13. Analysis of these findings, along with a review of industry best practice, showed that a robust performance assessment can consist of several key elements:

- a) A self-assessment survey administered (online) to the members of the governing body
- b) A 360° survey of stakeholders who interact closely with the governing body or who implement its recommendations
- c) 360° interviews with governing body members and relevant stakeholders
- d) A document review of the documents and presentations provided to inform the governing body
- e) Direct observation of meetings by a third party

02 Components of the Framework

14. Based on this, the TGC developed the proposed Global Fund Governance Performance Assessment Framework ("Framework") attached as Annex 1.

15. The main objective of the Framework is to provide the Global Fund Board with a full picture of the effectiveness of the Global Fund's governing bodies in enabling the achievement of the targeted impact outlined in its Strategy and addressing the Board's core functions. Routine performance assessment is necessary to provide accountability and to ensure that the Board and committees are discharging their roles and responsibilities, with sufficient skill and competency.

16. To provide this overall picture, the Framework consists of **4 key components**:

- A. Self-Assessment of committee functioning and management which includes: *a short online survey to be used within the committee to help improve overall performance.*
- B. Assessment of the performance and effectiveness of the committees of the Board which includes: *online survey for committee members; 360° online survey for relevant stakeholders; 360° interviews for committee members and relevant stakeholders; moderate review of documents and presentations; and direct meeting observation of non-sensitive topics by the party conducting the assessment and analysis.*
- C. Assessment of the performance and effectiveness of the Board which includes: *online survey for Board members; 360° online survey for relevant stakeholders; 360° interviews for Board members and relevant stakeholders; moderate review of documents and presentations; and direct meeting observation of non-sensitive topics by the party conducting the assessment and analysis.*

- D. Assessment of the performance and effectiveness of the Board and committee leadership. (Note: this step is done in parallel with elements b and c listed above, it is not a separate process) Questions on leadership effectiveness to be included in the following components of B and C above: *online survey for Board members; 360° online survey for relevant stakeholders; 360° interviews for Board members and relevant stakeholders; and direct observation of leadership effectiveness during meeting observation of non-sensitive topics by the party conducting the assessment and analysis.*

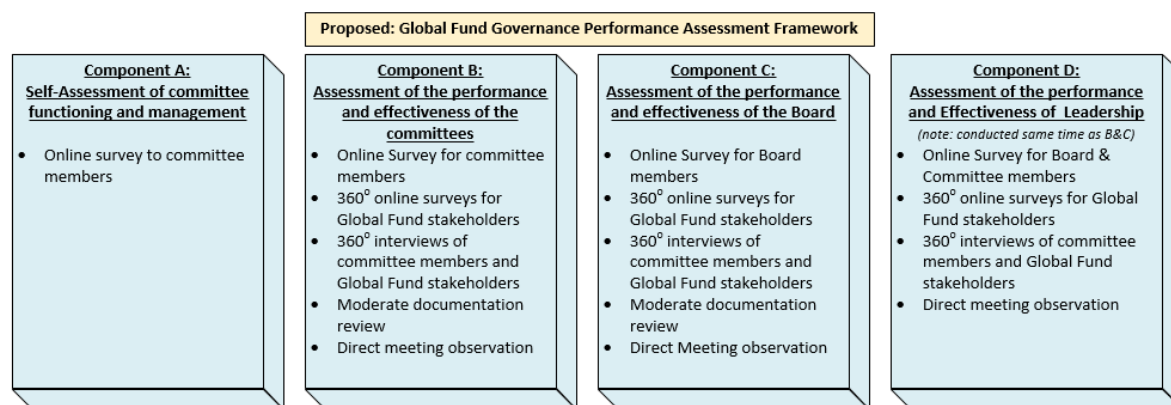


Figure 1: Components of Global Fund Governance Performance Assessment Framework

17. The attached framework document provides an overview of the following elements for each of the four components above:

- Participants
- Objectives
- Areas of Assessment
- Mechanisms of assessment
- Frequency
- Timing of the initial assessment
- Methods for reporting results
- Methods for incorporating results.

03 Launch of the approved Framework

18. If approved by the Board, the TGC recommends that the new Framework be implemented in 2016, following the introduction of the Enhanced Governance Structure (for Board approval in November 2015) and selection of members for the updated committee.(to be completed by April 2015).

19. This timeline will allow for the updates required to the existing performance assessment tools and processes outlined above, which provide a good foundation but should be updated to provide a deeper assessment of performance structure around the six core functions of the Board. Additional tools and processes are needed for the committee assessments.

20. It will also allow for a full competitive process to be launched to identify the most qualified third party supplier to develop the tools and perform the assessments at a reasonable cost to the organization. As identified above, the Board indicated a clear preference in the Governance Review that governance performance assessments be performed by an external third party rather than in house.

21. Once the performance assessments of the Board and its committees have been completed, the results will be presented to the Board at the first Board meeting of 2017.



Figure 2: Timeline for implementation of Framework

VI. 2015 performance assessment of governing bodies

01 Need for an assessment of governing bodies in 2015

22. While the full implementation of the established Governance Performance Assessment Framework is not scheduled until 2016, there remains a need to conduct a performance assessment of the Board and its governing bodies in 2015.

- a) No assessment has been conducted on the Board since 2012. No assessments of the SIIC and FOPC had been undertaken since 2013. Leaving the Global Fund without any recent baseline performance data for these key governing bodies. (Note: The Office of Board Affairs, under the advisement of the TGC, has reissued the self-assessment evaluation tool to committees following the summer meetings in 2015 – in line with Component A in the Framework).
- b) Results of these assessments will help inform the final Enhanced Governance Structure being presented to the Board for approval in November 2015.

23. These assessments would cover the period from the initiation of this committee term (April 2014) until the recent summer meetings held by the three committees (June-July 2015).

02 Methodology for 2015

24. To ensure that the assessments for 2015 can be conducted in a timely and cost effective manner in order to contribute to the finalization of the Enhanced Governance Structure, the Transitional Governance Committee is suggesting a modified assessment process for 2015 using resources that are presently available within the Global Fund.

25. As outlined in Figure 3 below, the modified approach for 2015 will include only the online elements of the established Governance Performance Assessment Framework and will use tools either currently available or being developed by the TGC with the support of the Secretariat.

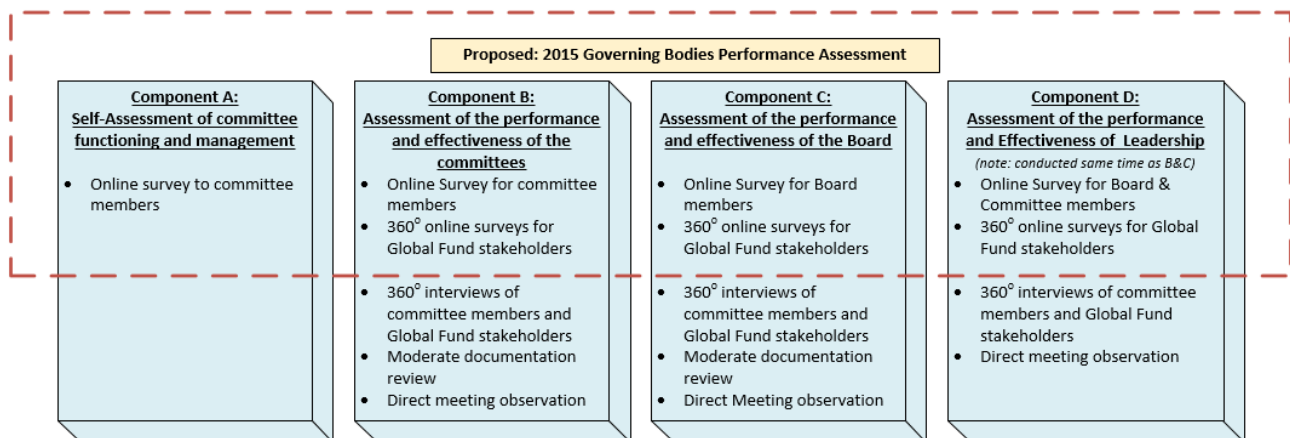


Figure 3: Proposed approach for 2015 Performance Assessments

26. The performance assessments will be overseen by the TGC, supported by the Office of Board Affairs. The TGC will perform the analysis and report the results to the Board during the upcoming November meeting following a discussion in the Coordinating Group.

27. The TGC will also undergo an assessment with will be led by Board Leadership with the support of the Office of Board Affairs. The results of which, will also be presented to the Board during the November meeting following a discussion in the Coordinating Group.

28. The 2015 Governance Performance Assessment will come at no additional cost to the organization beyond the time committed by the Board Leadership, TGC members and Office of Board Affairs.

VII. Recommendation

29. The TGC recommends that the Board approve the decision point above based on the rationale and background provided in this document.

Governance Performance Assessment Framework

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Transitional Governance Committee

Governance Performance Assessment Framework

Goal Statement

To implement a performance assessment process that provides a full picture of the overall effectiveness of the Global Fund's governing and advisory bodies in enabling the Global Fund to achieve the targeted impact outlined in its Strategy. This framework outlines, at a high level, the processes proposed to assess the performance and effectiveness of the Global Fund Board, its standing committees, associated advisory bodies as well Board and Committee Leadership. Routine performance assessment is necessary to provide accountability, to ensure the Board and committees discharge their roles and responsibilities, with sufficient skills and competencies as well as time availability and commitment. Outcomes of such assessments also provide lessons that can be incorporated into future Board and committee work methods and engagement. The Global Fund By-laws require that the Board has an established framework to assess its governing and advisory bodies.

Global Fund's proposed Governance Performance Assessment Framework outlines the assessment of four key components of the governance structure of the Global Fund:

- A. Self-Assessment of committee functioning and management
- B. Assessment of the performance and effectiveness of the committees
- C. Assessment of the performance and effectiveness of the Board
- D. Assessment of the performance and effectiveness of the Board and committee leadership

This framework outlines the following elements for each of the four components:

- Participants
- Objectives
- Areas of assessment
- Mechanisms of assessment
- Frequency
- Timing of the initial assessment
- Methods for reporting results
- Methods for incorporating results

A. Self-Assessment of committee functioning and management

1) Participants:

- Members of the standing committees of the Board
- Chairs and Vice-Chairs of the standing committees of the Board

2) Objective:

- To assess the routine functioning and management of the committees and to assist the Chairs and Vice-Chairs in the ongoing continuous improvement of committee operations and management.

3) Area of assessment:

- Routine functioning and management of the committees (meeting preparation, effective facilitation, and timeliness of information sharing -within the committee and with one's constituency as well as appropriate follow up).

4) Mechanism:

- Online survey distributed by Office of Board Affairs (OBA).

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5) Frequency:

- After each meeting of the standing committees of the Board.

6) Initial Assessment:

- Following June and July 2015 committee meetings. (currently in process)

7) Methods for reporting results:

- OBA consolidates the results into a summary report and provides the report to committee Chair and Vice-Chair. A copy of the report is shared with the committee responsible for governance.
- Chairs and Vice-Chairs review and share the results with their committee members following the completion of the assessment and these are discussed in the subsequent meeting.
- Summary results are shared with and discussed in the Coordinating Group.

8) Methods for incorporating results:

- Following the discussion with the committee and the Coordinating Group, the committee Chair and Vice-Chair identify specific areas for improvement and communicate these to their respective committee and the Coordinating Group and outline how these will be incorporated.

B. Assessment of the performance and effectiveness of the committees of the Board

1) Participants:

- Members of the standing committees of the Board
- Chairs and Vice-Chairs of the standing committees of the Board
- Members of any advisory bodies to the committees
- Select 360° survey and interview participants from external parties (example: Board Members, Board Leadership, Secretariat staff, and other stakeholders.)

2) Objectives:

- To assess whether the Board committees are effectively supporting the Board in guiding the Global Fund to achieve its objectives as identified in the Strategy and addressing the Board's core functions.
- To assess the performance and effectiveness of the standing committees of the Board and their associated advisory bodies (including the TRP and the TERG) in delivering against their Board approved mandates as outlined in their Charters/Terms of Reference and workplans.
- Assess whether improvements or changes in structure or membership are required to increase effectiveness.
- To ensure that areas of weakness can be identified and addressed quickly while providing lessons learned for the future

3) Areas of assessment:

- Assessment will be structures around overall areas of competency common to all committees as well as targeted questions focused on the mandate and nature of each committee.
- Performance, impact, and effectiveness of the committees against their mandates and workplans.
- Appropriateness of structures and overall expertise of members.
- Effectiveness of communication of committee related matters and information within the committee and across the broader Board, including those constituencies not represented on the committee.

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- Effectiveness of the support and information provided by the Secretariat to enable informed decision making.

4) Mechanisms:

- Online survey for committee members conducted by third party (service provider TBD).
- 360° surveys for external parties conducted by third party.
- 360° interviews of committee members and external parties conducted by third party.
- Moderate review of the documentation provided for the meeting.
- Direct observation of non-sensitive sessions of committee meeting by the evaluating party.
- Existing mechanisms in place for Advisory Bodies will be incorporated into the overall assessment or replaced with an updated model as appropriate. This will be determined as the tools for assessment are developed.

5) Frequency:

- Annual – committees will be assessed during the period of their last meeting of the calendar year.

6) Initial Assessment:

- Fall 2015 – lighter version of full framework to be conducted on existing committees
- Fall 2016 – full framework to be implemented following first year of activity under the Enhanced Governance structure. (Period of last meeting of the year.)

7) Methods for reporting results:

- The committee responsible for Governance provides general oversight of the assessment and works with a third party to compile a draft consolidated results and recommendations report on all standing committees. For the committee responsible for Governance, the oversight of the assessment will be provided by Board Leadership.
- The report is discussed in the Coordinating Group and a final report of results and recommendations is shared with the Board. Results are presented by the committee responsible for Governance at a pre-meeting during the first Board meeting of the following year. (This allows for the report on committee performance to be presented alongside the results of the Board performance assessment to achieve a full picture of the functioning of the Global Fund structure.)
- Chairs and Vice-Chairs of the committees share the report of results and recommendations with their committee members and results are discussed at the committee meeting immediately following the assessment.

8) Methods for incorporating results:

- Chairs and Vice-Chairs, in consultation with the committee responsible for Governance, develop an “Improvement Plan” which outlines how and when recommendations will be incorporated into the committee processes. This report is shared with the committee members and the committee responsible for governance.
- Chairs and Vice-chairs reserve time to discuss the Improvement Plan and progress towards its implementation as a group during the subsequent committee meeting.
- Chairs and Vice-Chairs are responsible for identifying any sensitive issues and should manage their resolution discreetly.
- The committee responsible for governance provides oversight of the implementation of the “Improvement Plans” including the elements which relate to the leadership of the committees and liaises regularly with the committee Chairs and Vice-Chairs.

C. Assessment of the performance and effectiveness of the Board

1) Participants:

- Members of the Board.
- Board Chair and Vice-chair.
- Members of the Coordinating Group

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- Select 360 ° online survey and interview participants (example: Board Members, Board Leadership, Management Executive Committee, Secretariat staff, other stakeholders.)

2) Objectives:

- To assist in determining whether the Board is successfully fulfilling its mandate across the six core functions of the Board: Strategy Development, Governance Oversight, Commitment of Financial Resources, Assessment of Organizational Performance, Risk Management, and Partnership Engagement, Resource Mobilization and Advocacy.
- To identify if the Board is effectively guiding the Global Fund achieving its targeted impact against the 3 diseases as defined by the objectives outlined in its Strategy.
- To assist the Board in determining if it is successfully guiding the Global Fund to meet its approved KPIs.
- Identify whether improvements or changes in structure or membership are required for increased effectiveness.
- To ensure that areas of weakness can be identified and addressed quickly while providing lessons learned for the future.

3) Areas of assessment:

- Assessment will be structure around the six core objectives of the Board: Strategy Development, Governance Oversight, Commitment of Financial Resources, Assessment of Organizational Performance, Risk Management, and Partnership Engagement, Resource Mobilization and Advocacy.
- Overall performance, impact, and effectiveness of Board in each of the six core areas.
- Appropriateness of structures and overall expertise of members
- Effectiveness of communication of Board related matters and information to individual constituencies.
- Effectiveness of support and information provided to the Board by the Secretariat.

4) Mechanisms:

- Online survey conducted by third party.
- 360 ° online surveys conducted by third party.
- 360 ° interviews conducted by third party.
- Moderate review of the documentation provided for the meeting.
- Direct observation of non-sensitive sessions of a committee meeting by the evaluating party.

5) Frequency:

- Annual. (period of last Board Meeting of the year)

6) Initial Assessment:

- Fall 2015 – lighter version of full framework to be conducted on existing committees
- Fall 2016 – full framework to be implemented following first year of activity under the Enhanced Governance structure.

7) Methods for reporting results:

- The Committee responsible for Governance provides general oversight of the assessment, and working with a third party, compiles a results and recommendations report on the Board.
- The report is discussed in the Coordinating Group and a final report of results and recommendations is shared with the Board. Results are presented by the committee responsible for Governance at the Board meeting pre-day following the completion of the assessment.

8) Methods for incorporating results:

- Board Chair and Vice-Chair, in consultation with the committee responsible for Governance, develop an “Improvement Plan” which outlines how and when recommendations on

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committee performance will be incorporated into the Board processes. This report is shared with the Board and the committee responsible for governance.

- Board Chair and Vice-Chair are responsible for identifying any sensitive issues and should manage their resolution discreetly.
- The committee responsible for governance provides oversight of the implementation of the “Improvement Plans”, including the elements which relate to the leadership of the Board and liaises regularly with the Board Chair and Vice Chair on progress.

D. Assessment of the performance and effectiveness of the Board and committee Leadership

Note: the assessment of the Board and committee leadership will be done in parallel to parts B and C above and will not form a separate assessment.

1) Participants:

- Members of the Board and/or committee
- Board or committee Chair and Vice-chair.
- Members of the Coordinating Group
- Select 360 ° survey and interview participants (example: Board and committee members, Management Executive Committee, Secretariat staff, other partners.)

2) Objectives:

- To assist the full Board in determining if the leaders of the Board and its standing committees are successfully guiding Board to perform its core functions and the committees to achieve the mandates outlined in their respective charters or terms of reference.
- To assist the Board and Committees Chairs and Vice-chairs in improving their management of the Board and standing Committees.
- To ensure that areas of weakness can be identified and addressed quickly while providing lessons learned for future leaders.

3) Areas of assessment:

- Effectiveness of overall performance and management by Board and committee leadership; appropriateness of overall expertise of leaders.
- Accountability of the Board and committee Chairs and Vice-chairs.

4) Mechanisms:

- Questions on Board and committee leadership will be incorporated into the tools developed for components B and C of the framework and will be administered at the same time as those components.
- Online survey conducted by third party.
- 360 ° online surveys conducted by third party.
- 360 ° interviews conducted by third party.
- Meeting observation.

5) Frequency:

- Annual (done at same time as committee and/or Board assessment).

6) Initial Assessment:

- Fall 2015 – lighter assessment proposed using previously approved Board Health Survey (administered to Board in 2011 and 2012)
- Fall 2016 – full framework to be implemented during the period of the last Board meeting of the year.

7) Methods for reporting results:

- The Committee responsible for Governance provides general oversight of the assessment, and includes a section on Leadership in the results and recommendations report. For the

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committee responsible for Governance, the oversight of the assessment will be provided by Board Leadership.

- Leadership section of final reports are shared with the Board confidentially and discussed during an Executive Session at the next Board Meeting as they refer directly to individuals rather than full governing bodies.

8) Methods for incorporating results:

- Board and Committee Chairs and Vice-Chairs, in consultation with the committee responsible for Governance, develop an “Improvement Plan” which outlines how and when recommendations on Leadership performance will be incorporated into the Board and committee processes. This report is shared with the Board and the committee responsible for governance.
- The committee responsible for governance provides oversight of the implementation of the “Improvement Plans”, including the elements which relate to the leadership of the Board and liaises regularly with the Board Chair and Vice Chair on progress.