



PROPOSED PERFORMANCE MEASUREMENT SYSTEM FOR THE EXECUTIVE DIRECTOR OF THE GLOBAL FUND

Outline: This document proposes a system for measuring the performance of the Executive Director of the Global Fund, and contains a list of detailed Key Performance Indicators and competencies for use in an annual evaluation. It also proposes certain objectives and Key Performance Indicators as Board-level responsibilities.

Decision Points:

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

Part 1: Background

1. At the Executive Session during the Eighth Board Meeting (28-30 June 2004) there was a consensus around the need for a clearly-defined and rigorous process to objectively evaluate the performance of the Executive Director of the Global Fund. This would facilitate accurate assessment of individual performance, but it would also provide a simple method for the Board to monitor the ongoing performance of the Secretariat, and stimulate a dialogue on annual objectives and targets. The Chair requested the Private Sector Delegation to develop a proposal that could be reviewed by the full Board at the Ninth Meeting.
2. This project was led by Brian Brink, with the assistance of consultants from McKinsey & Company who worked on a pro bono basis. The Chair, Executive Director and other members of the Secretariat were also fully involved. The team built on work that was already done within the Secretariat to define objectives, metrics and targets for 2005. It also leveraged internal McKinsey expertise on performance management, and gained input from external specialists in executive recruitment and assessment (Egon Zehnder).
3. The focus of this project was on developing performance measures for the Executive Director. However, during the project it became clear that two other aspects needed to be taken into consideration.
 - 3.1. Responsibilities of the Board: Due to the unique governance mechanisms of the Global Fund, the Board has an active role in deciding strategy, mobilizing resources and assisting local implementation. Only certain objectives of the Global Fund are within the full control and authority of the Secretariat. Therefore, this document proposes that certain objectives and metrics be taken on by the Board as shared or full responsibilities
 - 3.2. Performance measurement systems within the Secretariat: The goal of the Secretariat is to design a best practice annual performance measurement system that can be applied to all its staff. This is out of scope of this project, but the system designed for the Executive Director will be consistent with the process applied throughout the Secretariat.
4. The performance measurement system outlined in this document should be refined and improved each year, as lessons will be learnt through its application. Examples from the private and public sector indicate that a number of years are required before arriving at a settled model.

Part 2: Summary of key proposals

1. Full details on the proposed recommendations are contained in the document attached as Annex 1, which will be used as a presentation to the Board during the Ninth Board meeting. This memo provides a brief summary of the key principles of the proposed system.
2. Overall approach:
 - 2.1. International best practice indicates that performance should be measured on two dimensions:
 - Individual objectives and Key Performance Indicators (*what* should be/has been achieved)
 - Competencies and behaviours (*how* objectives have been/will be achieved)
 - 2.2. When defining individual Key Performance Indicators and targets, the proposal is to use the “balanced scorecard” system, given its wide positive application both in the public and private sector. This system focuses attention on the highest priority objectives, and allows for the inclusion of output results and long-term indicators, alongside annual financial and organizational input measures.
 - 2.3. The proposal is to cascade a consistent performance measurement approach down through the Secretariat, i.e., each member of staff will be assigned clear Key Performance Indicators and targets, and assessed against a competency model annually. This performance measurement system will be integrated with other key processes such as talent development, strategic planning and budgeting to produce a single organisational calendar.

3. Key Performance Indicators for the Executive Director:
 - 3.1. The project team, together with the Executive Director, has developed a limited set of objectives, Key Performance Indicators and targets for 2005 that reflect the priorities of the Global Fund (see page 10 of Annex 1). This is proposed as the Executive Director “scorecard”
 - 3.2. Objectives have been defined that reflect the responsibilities and priorities of the Secretariat. However, one key metric (related to mobilization of resources) is proposed as a shared responsibility with the Board, due to the major role played by Board members. The Executive Director will also delegate day-to-day execution of many objectives to other Directors within the Secretariat, although he retains overall responsibility for performance against the targets
4. Competency model:
 - 4.1. A competency model defines the behaviours that are necessary to achieve the individual’s objectives and targets. Building on the internal values and aspired culture of the Global Fund, and drawing on external examples and input from executive assessment experts, we have identified seven core competencies and associated behaviours (see page 12 of Annex 1). A rating scale (e.g., 1 to 5) will be used to assess an individual’s performance against the competency model.
 - 4.2. The competency model can be applied to staff at all levels of the organisation. However, the importance of different competencies will vary across roles – not all can be categorised as essential.
 - 4.3. Further work will be carried out to define behaviours for each rating and design a system that can be used at all levels of the Secretariat. Egon Zehnder, the international executive recruitment and assessment firm, have offered to provide support on a pro bono to facilitate the final development of this model.
5. Executive Director performance measurement process:
 - 5.1. The Executive Director evaluation process will have two inputs:
 - Evaluation of results against KPIs/targets, generated by Secretariat reporting systems
 - Assessment of competencies, carried out by an external evaluator using 360 degree feedback.
 - 5.2. A small Performance Assessment Committee - consisting of Board members only - will take responsibility for ensuring this process is properly carried out at the beginning of each year. The Committee will meet with the Executive Director in a closed session, assess KPI results, review the competency report, and provide recommendations for development. The Committee will then prepare a final report on the Executive Director’s performance for the full Board
 - 5.3. The different components of this process will be introduced over the next 18 months to create a clearly-defined annual performance measurement calendar for the Executive Director (see page 16 of Annex 1). It is proposed that the first full assessment of the Executive Director will take place in January-February of 2006.
6. Board objectives and metrics:
 - 6.1. While defining objectives and targets for the Secretariat and the Executive Director, it became clear that certain Global Fund objectives were – at least in part – responsibilities of the Board. This is because, unlike typical private sector governance models, the Board has an active role in the achievement of the Global Fund mission and annual objectives; Board members offer technical assistance, mobilize resources, approve strategy and provide overall governance.
 - 6.2. As a result, it is proposed that the Board agree to specific objectives, metrics and targets that are *Board* responsibilities, relating to five main areas (see page 19 of Annex 1 for details):
 - Results and impact
 - Mobilizing resources
 - Supporting implementation at country-level
 - Deciding on long-term strategy
 - Providing best practice governance

It is suggested that the Board allocate a time each year to assess its performance against a limited set of objectives and targets. This could be carried out at the first meeting of each year in conjunction with the annual evaluation of the Executive Director.