36th Board Meeting

Risk Management Report

GF/B36/26

16-17 November 2016, Montreux, Switzerland

Board Discussion

PURPOSE: To provide the Board with an updated management report for Risk.

The Global Fund

I. Executive Summary:

1. Infectious diseases like HIV, tuberculosis, and malaria are often the most difficult to tackle in countries where health structures are weak or absent and where political and historical factors create high risk environments. This means that the Global Fund cannot deliver upon its mission to end the three diseases as epidemics without taking significant risks, often over long periods of time.

2. Effective risk management is central towards achieving that longer-term success. In the short- and medium-term, success means embedding risk management within the fabric of the Global Fund's partnerships. This requires building the systems and controls to identify, mitigate, evaluate, and respond in real-time to inevitable changes and regularly reporting on risks and controls at all levels of the Global Fund's operating environments to learn from success and failure across the organization.

3. This report serves to capture a number of key thematic enterprise-wide risks which have had a residual effect on impact. These risks extend beyond the Secretariat, and therefore require close monitoring, proactive coordination with partners, and the flexibility to course correct, if needed. Drawing from the Organizational Risk Register (ORR), four priority risks are particularly timely and relevant for this report: 1) supply chain management; 2) sustainability & transition; 3) program and data quality; and 4) strategy implementation.

4. Over the course of the past two quarters, there have been significant developments and resultant changes in the overall risk profile of the organization. The Board-requested Prioritized Action Plan (PAP), captures in a consolidated format, the Global Fund's key initiatives, many of which serve as the major mitigating actions to risks identified within the ORR. The PAP also acts as an overall blueprint for Board oversight. Over the past six months, the PAP tracked significant progress on key initiatives, including, but not limited to: 1) conclusion of the Differentiation for Impact (D4I) project; 2) roll-out of the first of the four components related to the Accelerated Integrated Management (AIM) project; 3) progress on development of a supply chain strategy and Strategy implementation; and 4) resolving long-overdue OIG Agreed Management Actions (AMA).

5. The Global Fund has also made measurable progress towards the operationalization of its Risk Management Framework, which includes: 1) driving focus on prioritized countries through risk reviews; 2) focusing on key organizational risks; 3) progress on enhancing assurance planning and execution in High Impact and Risk portfolios; and 4) ensuring continuous risk oversight of the grant lifecycle through a new operational policy.

6. While significant progress has been made towards executing these actions, their completion will not be without challenges. These include the need for continued focus from the Secretariat and allocation of appropriate resources, coupled with support from in-country partners, the Board, and governments especially in extreme to high-risk environments with weak health systems. In addressing these challenges, the Global Fund needs to retain flexibility while minimizing changes to its overall Strategy.

7. With the continued operationalization of the Risk Management Framework with clearer roles and responsibilities, the successful completion of other actions such as D4I, progress on AIM, and continued focus on AMAs, progress in risk management towards an "embedded state" continues. More importantly, with the execution of some of the bolder and more transformative actions, including in-country supply chain strengthening, and embedding program quality and efficiency into the Global Fund's core business processes, the pace of improvement in the Global Fund's risk profile and therefore, impact, is expected to accelerate.

II. Introduction:

8. Infectious diseases like HIV, tuberculosis, and malaria are often the most difficult to tackle in countries where health structures are weak or absent and where political and historical factors create high risk environments. This means that the Global Fund cannot deliver upon its mission to end the three diseases as epidemics without taking significant risks, often over long periods of time. The challenge is how to ensure that the approach to risk is systematic; that there is an efficient and effective approach to risk mitigation which includes working with partners to address the long-term structural drivers of risk, as well as taking short-term measures to ensure delivery of services now; that there is

adequate assurance in place to ensure that risks remain within agreed tolerances and are escalated as necessary; that learning takes place across the organization to ensure continuous improvement in risk management; and that the approach taken is always evidence-based, proportionate and appropriate to local contexts. Adopting this approach increases the ability of the organization to achieve its programmatic objectives in the existing resource environment and recognizing that the Global Fund operates in high risk environments where the need is often greatest.

9. Effective risk management is central towards achieving that longer-term success. In the short- and medium-term, success means embedding risk management within the fabric of the Global Fund's partnerships. This requires building the systems and controls to identify, mitigate, evaluate, and respond in real-time to inevitable changes and regularly reporting on risks and controls at all levels of the Fund's operating environments to learn from success and failure across the organization.

10. Against this backdrop, this report will seek to elaborate on the following: 1) key organization-wide risks that are most relevant and timely; 2) significant developments and resultant changes within the institutional risk profile since the submission of the last report to the Board in April 2016; 3) potential challenges towards the successful execution of mitigating actions; and 4) progress related to the overall operationalisation of the risk framework.

III. Key Thematic Enterprise-Wide Risks Focusing on Impact:

11. As the Board is aware, the Global Fund uses the Organizational Risk Register to catalogue the key strategic and operational risks facing the organization, and the actions it's undertaking to mitigate these risks. The ORR consists of key risks towards achieving the objectives outlined in the Strategy (2017-2022) as identified and prioritized by the Global Fund's Senior Management and their respective Risk Owners (see Annex 1). These risks are discussed regularly at the Enterprise Risk Committee (ERC)[1] and monitored and updated on a quarterly basis relative to the risk's impact upon the Global Fund's mission.

12. The majority of prioritized risks are external and grant-related (such as quality of programs/services; treatment disruptions; Challenging Operating Environments; and sustainability and transition risks) and this focus is appropriate given the Global Fund's mission. The Secretariat has also identified and prioritized several internal risks including the risk management framework which has not been fully operationalized, and a lack of integrated internal processes, systems and tools.

13. The CRO wishes to underscore the following four priority risk areas from the ORR as particularly timely and relevant to this Board meeting: 1) Supply Chain Management; 2) Sustainability and Transition; 3) Program Data and Quality; and 4) Strategy Implementation. Most of these risks and proposed mitigants have been discussed at the ERC and the details below reflect these discussions. As transversal risks to the global fight against the three diseases, they extend beyond the Secretariat, and will therefore require close monitoring, proactive coordination with partners, and the flexibility to course correct, if needed.

1. Supply Chain Management:

14. Supply chain management (SCM) represents the most prevalent risk in the Global Fund's portfolio, with 41% of grants ranking "Treatment Disruption" as a High Risk.

15. SCM risks are likewise critical as over 40% of grant funding is allocated to health commodities. These high volumes of lifesaving products flow through national supply chains that are often fragile, insecure and poorly managed, creating risk of stock outs, treatment disruptions, expirations, degraded quality or loss. The Global Fund has identified a number of recurrent factors which drive supply chain risks across different portfolios, including poor management, inadequate human resource capacity, lack of integrated data systems to produce accurate supply plans, poor inventory control systems and tools,

[1] The primary role of the ERC is to: 1) oversee the identification and prioritization of key enterprise risks; 2) quality assure the strength and action-ability of associated mitigation actions and monitor their implementation; and 3) ensure that appropriate assurance is applied.

insufficient integration of different functions, supply chain leakage, and substandard or insufficient storage and distribution infrastructure.

16. The Global Fund has pursued multiple approaches towards mitigating SCM risks and the efforts have resulted in important supply chain improvements. However, to mitigate the risk meaningfully and in the long term, there is recognition that more must be done to fundamentally strengthen in-country supply chains. In some of the Global Fund's most significant countries, there is an urgent need to do more. While such transformations are underway with targeted SCM improvement projects in countries such as Nigeria, Malawi and Ghana, the following additional actions are being taken to increase the pace of transformation:

- **The Development of a Global Fund Supply Chain Department:** The Global Fund's commitment towards increased supply chain investment and impact has led to the creation of a supply chain department to be staffed by SCM experts. A Department Head is already on board and staff recruitment is underway. This in-house expertise is crucial to allow the Global Fund to assume a meaningful role in supply chain strengthening.

- **The Development of a Supply Chain Strengthening Strategy:** The Global Fund is committed towards increasing its focus on in-country supply chains, necessitating a clear organizational strategy to optimize investments as a means to improve in-country supply chain performance. The Global Fund is in the process of developing this strategy and has brought a strong risk focus to this effort.

- **A Next Wave of SCM Transformative Projects:** Concurrently, the work to identify the scope and scale of the next wave of transformation projects beyond the three countries mentioned above is also underway.

2. Sustainability and Transition:

17. While the elements which underpin Sustainability and Transition are inter-related, the near term risk and urgency is mostly within the countries that are transitioning or expected to transition within the next decade. Given the above, transition preparedness is essential in all UMICs and LMICs with "low" and "moderate" disease burdens. At present, approximately ninety disease components are classified as transition preparedness priorities, meaning that they are either approaching the burden and income limits of Global Fund eligibility or projected to become ineligible for Global Fund financing based upon the Board-approved Eligibility Policy. A lack of a successful transition could result in service disruption or lack of continuity of services (especially for key and vulnerable populations), a reduction in the availability of essential commodities, and a limited ability of existing national civil society to sustain programs and build capacity without external financing.

18. Mitigating this risk requires a clear understanding by the Global Fund, its partners, and countries of the implications of transition and a proactive approach to defining and addressing inherent challenges. In addition, there is a need to plan well in advance given the uncertainty in the outlook for external donor financing and domestic financing, as well as the decreased leverage the Global Fund has to influence national policies as financing decreases.

19. The Global Fund has recently approved an STC policy which includes a heightened focus on transition preparedness of countries, advanced planning, and leveraging Global Fund investments to increase domestic financing for transition challenges. However, to successfully execute this policy, it is critical that associated processes are embedded within the Global Fund's planning, programs, and the day-to-day work of the Secretariat. Internally, an STC Operationalization Project has been launched to enhance coordination across the Secretariat and accelerate the implementation of the STC Policy, which includes the development of an STC Working Group and Steering Committee. Project work-streams include (but are not limited to) training of Country Teams (CT) and in-country stakeholders on STC issues; development of tools to support policy implementation; strengthening and leveraging new and existing partnerships to increase transition preparedness; and updating internal guidance and operational policies to address STC issues. A number of milestones and controls will be established in order to properly monitor progress of STC policy implementation.

3. Program and Data Quality:

20. Program and data quality issues account for over 30% of high risks identified across the grant portfolio. In order for the Global Fund to achieve its core objective of maximizing impact against the epidemics, it needs to employ differentiated approaches for diverse country contexts, increased alignment, and planning for sustainability of programs. Ongoing improvements in program and data quality are critical for the process. A multidisciplinary response is required to address the risk that poor quality programs and data may impede implementers' management of quality programs, and the Global Fund's ability to assess their impact.

21. Factors that affect program and data quality include: insufficient human and financial resources and infrastructure; weak management; inadequate supervision; poor analytical capacity; and sub-optimal use of program data. As a result, programs can suffer from quality issues such as poor adherence to international standards for diagnosis, treatment and prevention, poor adherence to regimens, irrational use of health products and poor targeting of programs to those populations most in need. Such risks are exacerbated in high risk environments that account for a significant portion of Global Fund investments.

22. The Global Fund has pursued multiple approaches towards improving program and data quality on a grant by grant basis. In 2015, the Global Fund developed a Program Quality and Efficiency (PQE) project that aimed to improve health outcomes by strengthening the quality and efficiency of implementation within programs in which it invests. The Global Fund's efforts have resulted in important improvements. However, recognizing that our current approaches are not achieving the results that are required to make a transformative change at scale, the Global Fund has initiated a process to embed program quality and efficiency as a core part of all Global Fund business processes. In doing so, the Global Fund aims to improve the quality and efficiency of its investments and business processes, and the outcomes they contribute to achieving at the country level. This is part of, and is intended to contribute to, further strengthening the Global Fund's overall approach to risk management and assurance of programs.

23. Four key components of the Global Fund's approach to embedding program quality throughout the business cycle are:

- **Country-centric Partnership Approach**: The Global Fund seeks to improve program quality through partnership, drawing upon technical and financial resources in support of country needs and priorities. The Global Fund will work through existing mechanisms to leverage partners' strengths, including their political advocacy with leadership and key decision makers, to improve program quality and outcomes. The approach is not one-size-fits all or top down; rather it is grounded in country-level realities and tailored to country circumstances, with existing initiatives and successes built upon rather than duplicated. Country dialogue informed by evidence is the starting point for mobilizing technical and financial resources from within partnerships to support improvements in program quality and outcomes.

- **Data Use for Action**: A fundamental driver of quality improvement is the use of data for learning and action, through an iterative process of continuous improvement in the design and implementation of Global Fund supported programs for better results. The right data at the right level of disaggregation need to be available at the right time and used by actors at different levels of the system to drive improvements. It is therefore critical that the Global Fund partnerships accelerates their work to improve the availability, quality, timeliness and use of data, as part of their overall approach to embedding program quality.

- **Outcomes and Impact**: The Global Fund focuses on assuring quality in every step of the results chain in order to maximize measurable improvements in outcomes and impact. Key performance Indicators developed with countries and partners for the 2017-2022 Global Fund Strategy represent measurable statements about intended outcomes at the portfolio-wide level. Programmatic indicators and targets for grants to individual countries summarize intended outcomes for specific grants. In aggregate, these translate into portfolio-wide targets to ensure close linkage between country-specific grant activity and the overall outcomes and impact the Global Fund is aiming to achieve. Performance metrics for the Global Fund as a whole and for

relevant teams are important for strengthening focus on measurable changes in quality and outcomes.

- **Value for Money**: It is imperative to make optimal use of available resources to maximize impact at country level; this requires improved efficiency in the allocation of resources to the most impactful interventions, taking cost and resource availability into account. This also requires careful prioritization of investments and interventions to improve quality and efficiency where needed most and where action is likely to lead to the greatest return on investment. Differentiation and prioritization are critical both within Global Fund systems and processes, as well as within country programs and systems.

4. Strategy Implementation:

24. As had been mentioned in the last report, the upcoming Strategy (2017 – 2022) places increased focus on complex strategic objectives that target global public health-level challenges such as delivery of essential services in COEs, sustaining public health gains in transitioning countries, ensuring the performance of health product supply chains and improving the quality of programs and data. Successful delivery of this multi-faceted strategy is heavily dependent on the commitment and active leadership of partners, as well as on initiatives to improve the effectiveness and efficiency of the Secretariat's own operations. For the Global Fund to optimally contribute towards the Strategy's success, the construction and operationalization of an equally multi-faceted delivery platform will be vital.

25. Over the past few months, the Secretariat has:

- Dedicated cross-organizational teams to develop implementation plans for each strategic objective, prioritizing staff resources in the context of zero-based budgeting;
- Begun operationalization of key Board-approved policies and priorities, e.g., Sustainability, Transition, and Co-financing, Challenging Operating Environments, and Supply Chain Management; and
- Aligned these components with Grant Management processes so that they can be embedded into programs supported by the Global Fund and its development partners.

26. The development of the Strategy implementation plans are included in the PAP which ensures required Secretariat attention to the process. To monitor the implementation, the Global Fund Board has approved a KPI framework with twenty-one operational objectives in order to monitor and track progress. The Board and the Strategy Committee will receive regular updates on each Strategic Objective including on the KPIs. In sum, while the development of Strategy implementation is still in its early stages, proper execution and monitoring are receiving the right level of focus.

IV. Significant Developments and Resultant Changes in the Risk Profile:

27. During the 35th Board Meeting held in Abidjan in April 2016, the Board tasked the Secretariat to "*Present a detailed action plan to advance risk management and internal controls, with measureable and time-bound targets, and a report on progress to the Board in June 2016 through the standing committees…" (GF/B35/DP03)*. In response, in the second quarter of 2016, a Prioritized Action Plan (PAP) was developed and was designed to accelerate management for impact. The PAP seeks to capture, in one place, the Global Fund's key initiatives, many of which serve as the major mitigating actions to risks identified within the ORR. It defines the inter-connectedness amongst many cross-cutting Secretariat-wide initiatives which serve to enhance and embed risk management and acts as a roadmap for Board oversight. The PAP was shared with the three standing committees for input in June 2016 and subsequently forwarded to the Board in July 2016 (GF/B35/ER09).

28. The last six-months have seen the completion or significant progress towards a number of these actions, which will serve to embed risk management in the organization and improve the risk profile leading to increased impact. Some of the key initiatives include:

I. **Differentiation for Impact (D4I) Project:** Completed over the past quarter, D4I developed a framework for aligning the Global Fund's workforce with those portfolios carrying both a high burden of disease and the potential for making the greatest impact. It also streamlined processes for countries where disease burden and/or risk was lower. This re-alignment of resources will drive better management of mission critical countries and achieve other strategic objectives.

II. **Accelerated Integrated Management (AIM) Project:** The AIM initiative was launched in 2015 to enable efficient portfolio management at the Global Fund by integrating and aligning processes, data and systems. Over the last quarter, the first of four components of the AIM project was successfully adopted within a select number of countries. A release of the final component covering the business requirements of the re-designed end-to-end business processes is expected by the first quarter of 2017. Ultimately, the successful execution of AIM will further integrate risk management throughout the grant lifecycle and will also help to establish a robust control environment within the Secretariat. This work includes the consolidation and integration of existing risk management tools, the development of an IT-enabled central repository for ongoing tracking of all mitigating actions, as well as the creation of systems for embedding risk management data and analysis from these tools into revised grant documents and templates from Concept Note submission through to grant closure.

III. There was also significant progress in the roll-out of the **Supply Chain Strategy, Operationalizing the Risk Management Framework and Strategy implementation**. These are covered earlier in the report.

IV. **Replenishment Risk**: A key risk within the ORR has significantly diminished with a successful replenishment giving the Global Fund the critical resources needed to deliver upon its mission.

V. **Recoveries Process**: The Fund maintains a zero tolerance approach to fraud and corruption. While key measures are dedicated towards prevention, swift and appropriate action is taken when misuse is identified. The recoveries process continues to be strengthened and as of August 2016 the total outstanding OIG identified recoverable balance, net of written commitments to repay, demonstrates a resolution of 81% of aggregate recoverable amount (up from 65% as of December 2015).

VI. **Continued Focus on Outstanding OIG Agreed Management Actions (AMAs):** The concerted effort by the Secretariat to conclude outstanding AMAs has continued in earnest over the past two quarters and is continuing to yield positive results. The successful embedding of the Risk Management Framework and some of the other initiatives will have a material impact on both the current outstanding AMAs and also, over time, reduce the inflow as issues are identified early and resolved.

VII. **Update on Grant Specific Differentiation:** At present, the Global Fund uses thresholds set for the average of the range of acceptable grant-related risk using the Portfolio Risk Index (PRI)[2]. Establishing guidelines for risk differentiation helps to ensure that risks are neither over- nor under-managed, and scarce resources are effectively utilized. Following this logic, grants which are rated outside the acceptable range of the PRI are subject to a higher level of management scrutiny. To date, only four grants across two countries (South Sudan and Guinea-Bissau) are above the PRI threshold. As of December 2015, portfolio quality, as defined by the PRI, was stable with

[2] The Portfolio Risk Index (PRI) represents overall risk at the portfolio level, derived from the individual risk ratings at grant level, weighted against the yearly budget of the grants covered. The PRI expresses the level of risk in a single metric, and is updated at least annually. The overall risk value is derived for each of the 19 QUART-based risks within the range of 1 (minimum) to 4 (maximum) for each grant. Scores are then aggregated over grants, diseases, and country portfolios using an average of all risk scores considered, respectively weighted by the yearly budget of the grants. The following thresholds are used to differentiate various aggregated risk levels: Low ≤ 1.59 (in low risk environments); Medium 1.60 - 2.19 (in medium risk environments); High 2.20 - 2.79 (in high risk environments); and Very high ≥2.80 (in very high risk environments).

a value of 1.72, and was well within the Board-approved thresholds. The Risk Differentiation Framework will be enhanced in 2017.

VIII. **Progress in Strengthening Internal Controls for Key Business Processes:** As was mentioned in the previous Board report, the international COSO framework for risk management has been used as a benchmark to assess gaps and strengthen internal controls for key processes. Twenty key processes were prioritized and 12 (60%) of these have undergone review and strengthening of controls. Progress on the remaining eight has been slow and increased focus and attention is now being placed to complete these over the next two quarters.

29. While a significant part of the progress detailed above is admittedly internal to the Secretariat, partly because it falls under its ambit and is somewhat easier to implement, this will result in improved impact on the ground over time through improved grant management. Progress is also being made on in-country activities such as supply chain strengthening, but these will take time and some of these actions are discussed in the previous section. Overall, in the absence of any negative events, and the milestones achieved related to a number of mitigating actions, it is the Chief Risk Officer's view that the Fund's **residual risk profile is improving**.

V. Potential Challenges towards the Successful Execution of Mitigating Actions:

30. **Continued Focus and Buy-In from the Secretariat:** At present, through the ORR, which serves as a dynamic instrument to catalogue the key strategic and operational risks facing the organization, senior management has coalesced around a common vision for strengthening systems within countries and improving risk management. This level of commitment will need to be sustained and enforced consistently in order to operationalize planned initiatives. In addition, the Global Fund operates within a well-defined and tight operating budget and instituting material changes such as these take time and resources. Allocating appropriate resources to select actions without compromising on the delivery of our core mission will be important.

31. **Support of In-Country Partners, the Board, and the Political Will of Governments:** The efforts towards executing and embedding a number of these initiatives needs to be seen within the context of the Global Fund's business model in extreme to high-risk environments with weak health systems. Even with adaptations to this model it will remain relevant to in-country partners, implementers, and the principle of country ownership. In addition, the support of the Board for the continued enhancement of risk management will be critical in further consolidating the commitment required to maintain the requisite momentum.

32. **Be Flexible but Minimize Changes in Strategy:** Execution of material changes such as enhancing in-country supply chains will take time and the journey will be iterative. Since the mitigation entails systemic change, the actions are long-term in nature and the Secretariat needs to continue to be vigilant and prepared to put in short-term fixes should the need arise. While it is important to course correct as we go along, it is also important to realize the value of 'staying the course'.

VI. Progress on Operationalizing the Risk Framework:

33. The Global Fund recognizes that a preventive and focused risk management approach is critical to optimal achievement of the Global Fund's mission of saving lives. Sound risk management entails a focus on the highest risk portfolios where disease burden and hence the risk against achieving impact is highest. This approach is reflected in the articles of the Global Fund's Risk Management Policy, adopted in 2014, as a means of strengthening the enterprise risk environment across the institution, and the updates below serve to demonstrate this approach. Within this context, the Global Fund is:

1. Driving Focus on Prioritized Countries:

34. The Global Fund has prioritized a list of 30 High Impact & Risk countries based on appropriately weighted disease burden & impact, the External Risk Index (ERI)[3] and PRI, as well as OIG ratings. Internal due diligence requirements for this group have been enhanced, including ORC and in-country risk reviews, in order to gain assurance on the appropriateness of mitigating actions, need for short-term mitigations and/or explicit acceptance of risks. These countries are also being prioritized for a number of other initiatives.

2. Focusing on Key Organizational Risks:

35. The Enterprise Risk Committee (ERC) was created in early-2016 to provide a forum for senior management to proactively identify emerging enterprise-wide risks, discuss the highest risks, and evaluate the adequacy of mitigants. The output from the ERC is reflected in the Organizational Risk Register. Over the past few months, many of the risks and mitigations highlighted above have been discussed at the ERC. The focus of these discussions is on understanding the risk and what we are currently doing to mitigate it, but most importantly on 'what more do we need to do.'

3. Enhancing Assurance Planning and Execution:

36. Six Risk and Assurance pilots covering five High Impact countries and an additional COE country were concluded in June 2016, and enhanced assurance planning began being rolled-out to 30 High Impact and Risk portfolios during the second-half of 2016. Key learnings from the pilots have been incorporated into the enhanced assurance planning approach. They center the assurances around portfolios' key risks and actionable mitigations, and align in-country partners, implementers and multiple assurance providers around countries' risk profiles and planned assurance activities. The enhanced approach also leverages partners for provision of assurance where possible, more clearly embeds assurance planning into internal grant and risk management decision-making, and drives greater focus on monitoring and control of assurance activities through a set of "living" documents. The Global Fund is also working on improved alignment of grant-level financial assurance with comprehensive portfolio-level assurance. The pilots also highlighted the need for developing and/or using better tools for mitigating and assuring supply chain and program and data quality risks. Some of these tools such as Health Facility Assessments are already being deployed while others around Supply Chain are being developed and will be used as they become available.

4. Ensuring Continuous Risk Oversight throughout the Grant Lifecycle:

37. The last quarter also saw the development of an Operational Policy Note (OPN), entitled "Risk Management across the Grant Lifecycle," which defines the Global Fund's risk management requirements for grant-related processes, focusing on key risks that may negatively affect the achievement of grant objectives. The OPN provides essential guidance to Country Teams on how risk management shall be seamlessly embedded across the grant lifecycle. This includes:

- Overall objectives of risk management across the lifecycle of grants;
- The Risk Management Framework and the governance around it, including the role of the Risk Department and Global Risk Owners in the organization; and
- Differentiated risk management requirements across the grant lifecycle (Access to Funding and Grant Making, Grant Implementation, and Closure).

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[3] The ERI for countries is based on the following indices: Control of Corruption Index, Ease of Doing Business Index, Fragile States Index, Global Peace Index, government Effectiveness Index, INFORM Index, Regulatory Quality Index, Rule of Law Index, UN Department of Safety and Security Index and the Voice & Accountability Index. Weights for each index are computed for each country. Then, a "relative external risk" variable is created in the pooled dataset. Based on emergencies happening in countries, the Global Fund can adjust the ERI category of a small number of countries for final approval of the Chief Risk Officer. The objective of this post adjustment is to reflect the contemporary events which otherwise would have taken much longer time to be reflected through the standard databases.

38. While the OPN has been operationalized within GMD, the Risk Department's engagement will be expanded incrementally. For the remainder of 2016, the Risk Department will cover the 30 High Impact and Risk countries while the coverage will be expanded to the High Impact and Core countries as of January 2017.

VII. Conclusion:

39. With the continued operationalization of the Risk Management Framework with clearer roles and responsibilities, successful completion of other related actions such as D4I, progress on AIM, and continued focus on the OIG Agreed Management Actions, progress in moving the governance, risk management and internal controls towards an "embedded state" continues.

40. More importantly, with the execution of the some of the bolder and more transformative actions including in-country supply chain strengthening and embedding program quality and efficiency within the Global Fund's core business processes, the pace of improvement in the Global Fund's risk profile and, therefore, impact is expected to accelerate.

Q2 2016 - Global Fund Organisational Risk Register - Summary version

					Q2 2016					
Risk Type	**#**	**Risks**	**Risk Owner**	**Existing Risk Mitigations in place**	**Residual Risk**	**Current Direction of Travel**	**Change since last quarter**	**Status/ Progress in Q2 2016**	**Additional or improved Risk Mitigations planned/ needed**	**Target Risk**
Strategic Risks	1	**Impact/Mission Risk** Low Impact in some of the high disease burden countries (concentrated portfolio), key populations and hard-to-reach communities could negatively impact our mission.	GMD	(1) Structured risk management approach in place for high impact and high risk countries. (2) Large high disease burden countries: Increased focus on implementation and oversight at sub-national levels; improved alignment with and greater reliance on partners for strategic program development, data collection and monitoring and evaluation; improved ongoing grant management controls with these countries receiving greater management time and scrutiny, including at the highest levels. (3) Flexible reprogramming allowing optimization of investments and of implementation arrangements during grant implementation as needed (OPN).	High	→	**No change**	***On track/Ongoing*** Differentiation project completed: new country classification implemented (High Impact, Core, Focus), Country Team resources reallocated with additional resources for Nigeria (doubled to now 19 FTEs), DRC, India and COE countries allowing stronger state focus, greater engagement with partners and country stakeholders and focus on key populations. Reduced resources and streamlined approach for focus countries. New OPNs released defining differentiated grant implementation approach and requirements, including risk management and assurance. ITP project ongoing mobilizing partners to jointly address implementation bottlenecks. Supply Chain project further advanced with new Department created and additional resources allocated. New projects launched in Malawi and Ghana.	(1) Continue Implementation Through Partnership (ITP) and Supply Chain projects prioritizing High Impact portfolios to ensure political leadership, increased domestic funding, improved implementation support and oversight (ongoing). (2) Continue further strengthening of risk management, assurance and compliance monitoring with additional focus and follow-up required on effective supply chain and program quality. (3) Systematic targeting of investments to key and vulnerable populations, locations most affected by the 3 diseases and high impact interventions tailored to country context. In high disease burden countries focus at sub-national level, and engagement of communities for improved access, more effective implementation and monitoring while building sustainable health and community systems (ongoing). **Timeframe to achieve target risk: 3-5 years.**	Medium
	2	**Sustainability and Transition Risk** Countries are unable to sustain impact without further Global Fund support due to lack of political commitment & prioritization (in particular concerning highly stigmatized key populations) and/or poor health systems which may lead to reversal of gains. (a) Programmatic Sustainability (b) Financial sustainability (domestic funding)	Policy, ER, SIID, GMD	(1) Working with World Bank, PEPFAR, GAVI and other partners on sustainability planning. (2) 12 transition cases reviewed with critical findings which informed new policy and guidance document and implementation in EECA and LAC. (3) Transition readiness assessment completed for TB and HIV and being rolled out to transitioning countries. (4) Compliance monitoring of Counterpart funding requirements for new grants. (5) Advocacy for domestic financing continued for priority countries with Civil Society partners (from both donor and implementing countries) to put pressure on implementing partner governments. (6) Sustainability and transition as strategic focus areas included in new strategy.	High	→	**No change**	***On track*** New Sustainability, Transition and Co-Financing policy approved by Board in April 2016 and initial operationalization within GMD with 5 Transition Specialist positions created in GMD supporting EECA and LAC in transition planning and implementation. Launch of India Health Fund provided through private sector funding.	(1) Multi-donor/partner collaboration including with WB for joint Health Financing Strategies and joint engagement in country to increase domestic funding for health and investment in prevention (ongoing). (2) Complete transition readiness assessment for 8 countries in EECA, and 3 countries in LAC in collaboration with UNAIDS (Q4 2016). (3) Support and TA to civil society and governments to ensure that services related to community, rights, and gender continue to be provided as countries transition away from Global Fund support. (4) Complete operationalization of New Sustainability, Transition and Co-Financing Policy. **Timeframe to achieve target risk: 2-3 years.**	Medium
	3	**Resilient and Sustainable Systems for Health (RSSH)** Weak public health and community health systems/capacity and ineffective/inadequate RSSH investments negatively affect service coverage and quality, system's efficiency, sustainable impact of the disease programs and lower the preparedness levels to effectively respond to disease outbreaks and spread of epidemics.	SIID	(1) Building resilient and sustainable systems for health is included in new Strategy as key pillar based on wide consultations. Considering better integration in SDG agenda and wider health impact with GF investments and improved coordination with strategic partners at global level. (2) Increased focus on HSS/CSS data collection and analysis. Approximately 40% of funds invested by Global Fund supports systems for effective and efficient delivery of HIV, TB and malaria programs. (3) Increasing trend noted in NFM grants signed including GF investment in DHIS, supply chain, financial management and human resources capacity strengthening. (4) Independent evaluation by TERG on HSS conducted which is positive about Global Fund investment in RSSH. Recommendations are focused on improving coordination with partners and TA.	High	→	**No change**	***On track*** RSSH included in new strategy with 7 focus areas for GF catalytic funding approved. Close engagement with partners for effective coordination and joint implementation advanced. Partner consultation held on HRH. Studies on effective community monitoring/feedback mechanisms and on efficient funding to community based organisations completed. 2 workshops were held on developing strategic implementation plan for SO2. Key drivers for the SO and operational KPIs have been agreed. New information note on investments in HRH have been drafted in collaboration with WHO.	(1) Revised information note on RSSH and new strategy implementation plan (completion of strategic and implementation KPIs and targets, revision of RSSH assessment and monitoring tool, implementation of TERG HSS thematic review recommendations) (Q2-Q4 2016). (2) Improving advocacy, technical guidance and funding processes for community responses and monitoring (Q2-3, 2016). (3) Strengthen/institutionalize partnerships in RSSH contributing to UHC objective and establish systematic coordination of effective RSSH investments and TA in countries (WHO, WB, GFF, GAVI, etc). - Renew MoUs with UNICEF and UNFPA on integrated RMNCH (Q3 2016). (4) Strengthen incentives and advocacy for increased domestic funding (matching of funds) (December 2016).	Medium
	4	**Human Rights and Gender Inequality** Human rights and gender-related barriers (including laws, policies and practices that create barriers to services, stigma and discrimination, lack of access to justice for people living with the diseases and key populations, and/or socio-cultural aspects) leading to hindered access to quality health services for key and most vulnerable populations resulting in low impact. Young women and adolescent girls in particular are vulnerable due to socio-economic inequality perpetuated by discriminatory customs, laws and policies. Investments in the programs that reduce human rights-related barriers to access to health services in country grants remains very low.	SIID	(1) CRG Information Notes and guidance are in place. (2) Implementation of the Removing Legal Barriers module, human rights capacity building at the Secretariat level, closer collaboration with key technical partners and active engagement of CRG advisors in a number of countries led to some increased GF investment in removing legal barriers under new grants. (3) New Minimum Standards included in grant agreements and OIG receives human rights complaints as part of OIG whistleblowing procedure. (4) CRG issues - human rights, gender, key populations and community - included in new Strategy framework as key pillars.	High	↘	**No change**	***On track*** Further progress on New Women and Girls project (SAGE). CRG trainings for country teams held as part of D4I trainings. Consultation with key stakeholders and partners held to define GF catalytic role in scaling up of human rights investments, including gender equality. Working groups established to develop disease-specific guidance for applicants.	(1) Develop and operationalize clear guidelines and on-going trainings/modules to promote increased and targeted investment and effective embedding of human rights and gender in national programming and regional grants for internal and external stakeholders (Implemented by GF - ongoing). (2) Successful implementation of the SAGE (Strategic Actions for Gender Equality) Project (GF-leading in partnership). 14 countries will have focused scale-up of programs for AGYW. (3) Select 15-20 focus countries for intense efforts to achieve greater uptake of human rights programs (GF-leading in partnership). (4) Establishment and support for a Regional Platform for civil society will increase advocacy and focus on community-based monitoring (GF-leading in partnership).	Medium
	5	**Challenging Operating Environments (COEs)** No or limited health impact in COEs due to extreme external/contextual factors (chronic conflict, insecurity), weak governance/health systems and capacity, large populations with no access to basic health services, poor oversight, high human rights violations. COEs account for a third of the global disease burden for HIV, TB and malaria, and for a third of Global Fund investments.	Policy, GMD	(1) Use of flexible reprogramming and/or emergency fund for acute-crisis countries (e.g. Ukraine, Nepal, Sierra Leone). (2) Other new innovative and flexible approaches have been promoted and approved by Senior Management and are being implemented or pursued (e.g. Middle East Regional Initiative). (3) COEs included as key focus area in the new 2017-2022 Strategy.	High	→	**No change**	***On track*** COE Policy approved by Board in April 2016. Innovative Middle East Regional Initiative targeting refugees ongoing and further advanced (PR selected and grant negotiation in final stage). Increased/adequate Country Team resources assigned as part of Differentiation for Impact implemented allowing intensified engagement with implementers and partners in COE countries and pro-active grant and risk management.	(1) Operationalize COE Policy into internal operational guidance including more flexible processes and risk tolerance. Targeted approach with focus on reaching key affected populations and most vulnerable (often mobile or living in remote or conflict areas) and systematized community based monitoring (Q4 2016). (2) Creation of a COE Support Team and strengthening of Country Teams profile with expertise in COEs (Q4 2016).	Medium
	6	**Drug and Insecticide Resistance (TB, Malaria, HIV)** (a) Drug Resistance Threat of increasing drug resistance in TB, Malaria and HIV due to poor quality programs (non-adherence with WHO standards/guidelines), incorrect diagnosis, inappropriate use of drugs in particular by private care providers leading to increased mortality and propagation of drug-resistance. (b) Insecticide Resistance (used widely in Malaria vector control tools: LLINs and IRS) Risk of increasing Insecticide Resistance (used in LLINs and IRS) leading to reversal of gains and serious public health challenge.	SIID, GMD	(1) WHO normative guidance in place. (2) Increased funding for MDR-TB under GF grants with particular focus on highest burden countries to help prevent further spread of MDR-TB. (3) Regional Artemisinin (RAI) programme funded in Myanmar/Thai border with focus on Malaria elimination in the Greater Mekong Sub-region. (4) GF QA policy for pharmaceutical products in place aiming to prevent procurement of substandard drugs. (5) GF is a member of the Innovation to Impact (I2I) initiative in vector control (comprising technical partners, academia, governments and industry) aiming to effectively address insecticide resistance and fostering innovation.	High	↗	**No change**	***Ongoing*** TB: GF supporting effective implementation of new WHO guidelines for MDR-TB including guidance to countries for introduction of new drugs and shorter regimens and sharing of best practices covering all providers. Good progress in Implementation of updated MOU on GLC covering updated MDR-TB high burden countries. Malaria: ongoing focus on optimization of vector control interventions and targeted HSS investment in surveillance system and local capacity building. New data and program quality OPN released allowing strengthened program quality assurance.	(1) Develop new PQE (program quality and effectiveness) project/initiative in collaboration with partners including collection of best practices (Q2- Q4 2016). (2) Increased investment to ensure adequate national/regional surveillance systems, and focus on strengthening national capacity and routine monitoring of Quality of Services covering all health providers (public, private, communities): including regulation for private sector and trainings of healthcare providers. (3) GF support and oversight of rapid implementation of new MDR-TB drugs and shorter regimens in high MDR-TB burden countries. (4) Scale up of diagnostics & rapid testing and detection of malaria and TB/MDR-TB cases. (5) Increase access and coverage to quality health services for high risk populations including most vulnerable and migrants/refugees. Apply patient centred approach and close patient follow-up for improved detection and treatment adherence. (6) Strengthen Supply chains and QA monitoring of quality of drugs and faster provision of available new quality drugs. (7) Expand strategic regional interventions to address resistance such as the RAI grant.	Medium
	7	**Strategic Data Quality and Availability** Poor quality and/or unavailability of strategic results and impact data due to (a) poor in-country data systems, lack of disaggregated data for key populations/gender and (b) weak GF internal data systems & management may negatively affect accurate GF strategy development and realistic target setting, new allocation model as well as lead to poor in-country programming, national strategic planning and inability to make timely adjustments towards ending the 3 epidemics.	SIID	(1) Services provided at health and community level are captured in GF grant Performance Frameworks through the core and customized set of indicators (integrated in the national M&E system and subject to differentiated assurance). (2) Investments for effective strengthening of in-country M&E systems approved under NFM grants (as part of GF current Special Initiative), which are currently being implemented. (3) Ongoing work with international partners to strengthen availability and quality of impact data for the 3 disease areas and RSSH. (4) New OPN for improved Data and Program Quality guiding tailored and differentiated use of comprehensive assurance toolkit (HFA, DQR, special studies) for strengthened availability of strategic program data from GF funded programs.	High	↘	**No change**	***On track*** OPN finalized for improved Data and Program Quality. This is being operationalized currently through LFA and specialized service providers, in partnership with WHO and Health Data Collaborative (HDC) more broadly. Progress on Special Initiative on health data for impact with partners & for strengthening country data systems (Roadmap and priority actions agreed and being implemented). Design for integration of strategic data in AIM completed and first release being applied in 70+ grants across 22 countries.	(1) Implementation of the new comprehensive and differentiated Program and Data Quality for impact approach will lead to improved quality assurance mechanisms, reporting standards and accountability. (2) Effective implementation of AIM project including embedding of new strategic data needs resulting from the 2017-22 Strategy (new strategic and implementation of KPIs), for use in program design, grant making and ongoing program/grant monitoring. (3) Effective strengthening of in-country HMIS and surveillance systems through targeted Global Fund support in grants and the new Country Data Systems Special Initiative (catalytic investments). (4) New design and implementation of GF internal program results processing module (linked to AIM) (Q3-Q4 2016).	Medium
	8	**Partnerships** New or strengthened strategic partnerships, accountability and partner commitment at highest levels critical to fight the 3 diseases and address strategic risks will not be ensured at global and country levels (Implementer governments, technical partners, donors, civil society, private sector, humanitarian organizations in COEs) leading to not achieving GF mission. New strategy: New partnerships supporting new areas in the new GF Strategy 2017-22, and an integrated approach to contribute to holistically achieve the SDG targets will not be ensured (opportunity risk).	All MEC	(1) Country Teams engage with partners on a country-by-country basis to address strategic and operational risks. (2) Engagement of strategic partners at global level, several with formal partnership agreements. (3) Performance based contract in place with WHO for targeted technical support under NFM with mid-term review currently being conducted. (4) New private sector partners via Innovation Hub.	Medium	→	**No change**	***Good progress/Ongoing*** ITP project ongoing with focus on 20 priority countries facing low absorption of funds, aiming to effectively address current implementation bottlenecks. Good coordination with strategic partners as part of new strategic target setting and preparations including RSSH (WB, UNICEF, UNFPA) and Human Rights and Gender.	(1) Strengthen and expand strategic partnerships at global, regional and country level supporting GF strategic objectives, including new partnerships for effective integration in the SDG agenda in line with the new strategic framework (UHC, Gender & Human Rights, COEs including refugees, education, environment etc) and to foster innovation. (2) Sustainability, Impact, HSS - build or strengthen partnership with Implementer Governments at highest level (political leaders, Ministry of Finance and key ministries) in collaboration with strategic partners (WB, WHO, GAVI, bi-laterals). (3) COEs and Human Rights - expand or strengthen partnerships with humanitarian, human rights and civil society organisations operating in conflict zones and hard to reach areas, to effectively meet basic health needs of refugees, IDPs (internally displaced people) and other vulnerable populations currently unreached or left behind.	Medium

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	9	**Value for Money/Cost-Effectiveness** (a) Investment efficiency: Poor cost-effectiveness of strategic investment decisions (lack of selection and scale-up of most cost-effective evidence based interventions mix). (b) Procurement spending (50% of grant budgets). (c) Management of drugs (risk of expiry of drugs due to poor supply chain management, poor forecasting and consumption data). (d) GF OPEX and transaction costs of GF processes and operations (risk of inefficient GF processes and use of resources causing high transaction costs at Secretariat and country level for PRs, SRs, LFAs). These factors would lead to overspending or wastage of funds.	Policy, SIID, FISA	(1) Major focus on Country Dialogue, TRP and GAC review processes through use of optimisation models (majority of HI countries) and ongoing grant monitoring and flexible reprogramming to optimize investments as new data/evidence comes up. (2) Pooled Procurement Mechanism improved: lower prices and efficiencies achieved which led to expanded use of PPM across grants (60 countries, approx. USD1bn p.a.). (3) Availability of national forecasting committee in all HI countries and systematic annual forecasting review. (4) Quarterly monitoring of OPEX expenditures against approved budget.	Medium	→	**No change**	***Ongoing*** Zero-Based Budgeting (ZBB) project ongoing to streamline operating expenses while supporting effective implementation of the new Strategy. Updated grant management OPNs released covering new differentiated grant management approach and requirements, and optimized assurance activities. Wastage of drugs also included as part of optimized assurance approach and activities in PSM. Increased focus on ensuring effective supply chain management.	(1) New PQE (Program Quality and Efficiency) project with partners. (2) Global Health Cost Consortium (GHCC), partner initiative funded by Gates, to develop joint methodology for calculation of unit costs and efficiency data and consistent use across countries, informing cost-effective investments in health. (3) Close collaboration with key partners for optimization of strategic investment decisions as part of national strategic planning process, leading to investment in evidence-based and most cost-effective interventions adapted to country context, targeted investment to key populations and locations with highest disease burden, targeted HSS investment and use of innovation and new technology. (4) Rapid implementation of differentiated and simplified processes and AIM project which will strengthen operational efficiency and reduce transaction costs for GF and implementers. (5) Implementation of new Risk and Assurance approach will help in optimizing use of and effectiveness of assurance providers including LFAs, external auditors, Fiscal Agents. (6) Implementation of streamline budget decisions resulting from ZBB starting in 2017.	Low
	10	**New Strategy Implementation and Allocation Model** (a) Global Fund unable to deliver on new strategy, achieve new strategic goals and meet stakeholder expectations, in particular in areas of expanded mandate (RSSH, Human Rights and Gender) and greater focus (COEs, Sustainability, ending 3 diseases, KPs). (b) New allocation model not achieving new strategic goals (including middle income countries not addressing differentiated needs of MICs).	Policy, SIID	(1) New Strategy 2017-22 approved by Board after wide stakeholder consultation, including 3 Regional Partnership and pro-active engagement of public. (2) Allocation Model: on track with close oversight from Senior Management and the Strategy Committee. Consultations on new allocation model conducted supporting new strategy. Analytical inputs and approach developed and advanced.	Medium	→	**Change in risk focus** (from strategy development to implementation risk)	***On track*** New Strategy 2017-22 approved by Board in April 2016. New Allocation Methodology approved by Board in April 2016. Decisions on reallocation of resources made under D4I and ZBB aimed to support new strategy implementation (staff and budget). Preparation of Strategy Implementation Plan, including finalization of new strategic KPIs and targets subject to Board approval in November 2016 (Q2-Q4 2016). Finalization of People Strategy, internal structure and resource allocation supporting new Strategy implementation and effective risk mitigation of strategic risks (Q3-Q4 2016).	(1) Allocation Model: Finalization of detailed allocation process until Q3 2016 for Board approval of allocations in November 2016 (after Replenishment outcome).	Low
Financial Risks	11	**Future Funding/Replenishment (2017-19)** Inability to ensure sufficient funding as per target from public and private donors due to lack of political and CSO support for GF, loss of donor confidence as a result of major reputational damage (e.g. from weak governance and major corruption/fraud detected), or external factors outside of GF control: in particular (i) political events affecting key GF donors, (ii) refugee and migrant crisis in Europe and changing priorities for aid budgets, (iii) slow economic growth at global level affecting traditional GF donors, (iv) Foreign Exchange risk related to new pledges, and (v) competing domestic or international priorities for public funding (security, terrorism threat, unemployment, SDGs) .	ER	(1) Replenishment Strategy being implemented. Close collaboration with SIID, Policy Hub and Communications ensuring strong coordination and alignment with the new strategy and investment case. (2) Preparatory Meeting held in Japan in December 2015 and pre-replenishment meeting held in Rome early July 2016. (3) Canada confirmed to host GF Pledging Conference on September 16, 2016 in Montreal and acting as strong advocate. (4) Ongoing advocacy and engagement of donors, civil society, private sector. (5) New GF Strategy as approved by the Board in April 2016 appropriately embeds the SDG agenda and outlines linkages of GF new strategic objectives to relevant SDG goals.	High	↗	**Improved** (reduced risk trend from increasing to flat)	***Ongoing*** Canada announced in May to host GF Replenishment conference on September, 16 2016. High-level Pre-Replenishment meeting held in Italy end June. Several GF key traditional donors already confirmed new major pledges for the GF 5th Replenishment, with several increases: EU (27% increase), Canada (20% increase), Japan (46% increase), France (continuation of current high pledge amount of EUR 1.08 bn), Italy (30% increase). Recent international developments and continued political uncertainty may impact donor sentiment. Reported 41% increase in domestic financing (USD$ 6bn) to health programs under NFM grants being implemented as a result of Global Fund policy and engagement counterbalancing potential shortfall in external funding.	(1) Continue implementation of the Replenishment Strategy, including strategy to incentivize increased domestic funding (e.g. matching funds) and approach of new donors. (2) Ongoing advocacy and engagement of donors, civil society, private sector, champions. (3) Continue close monitoring of high external risks (political/elections, global economy, refugee crisis, etc) and intensified engagement of donors and partners at highest level. (4) Effectively engage and facilitate upcoming donor reviews of GF: MOPAN Assessment, DFAT review (Q1-Q3 2016).	Medium
	12	**Foreign Exchange Risk** (a) Existing Pledges: Past inability to hedge foreign exchange exposures due to external institutional factors in the financial sector leading to losses. (b) Future Pledges/ 5th Replenishment (Economic FX Risk): Mismatch between the time pledges are announced by donors until the time new contribution agreements are signed, booked and hedged. Potential non-compliance with derivatives trading regulations. (c) High risk related to new UK contribution for the 5th replenishment both in terms of USD equivalent contribution and political risk.	FISA	(1) All new contribution agreements are consistently hedged with close monitoring of the FX "legacy" risk and related market entry strategy. (2) A new FX policy, namely Global FX Management Framework has been approved by the Audit and Finance Committee and is in the process of being implemented. The new policy allows for hedging off-balance sheet exposures (i.e. mostly pledges) and hence materially mitigate the FX risk on the ALM.	Medium	→	**No change** (net effect neutral from Brexit risk realized and other risk mitigation measures further advanced)	***On track/Ongoing*** New contributions received have been immediately hedged. Part of GBP legacy position has been hedged due to Brexit (remaining open position is GBP 250m). Regular update to AFC on hedging and legacy position. New FX Policy (Global FX Management Framework) approved by the AFC ahead of the 5th Replenishment. Realized risk: **Brexit** vote in UK on 23rd June 2016 in favour of leaving the EU. GBP devaluation against USD, causing for GF an unrealized loss on its GBP current legacy position in the range of 30m to 50m USD.	(1) Continue close monitoring of the FX "legacy" risk and related market entry strategy. (2) Implementation of the newly approved Global FX Management Framework.	Low
Operational Risks **- Secretariat -**	13	**Risk Management Framework not fully adopted and operationalized** evidenced by gaps/weaknesses in: (a) Clarity of Roles and Responsibilities between the 3 lines of defense; (b) 2nd line of defense function; and (c) Internal control environment/system, including grant oversight & compliance monitoring resulting in -negative impact on achieving the GF mission and strategic objectives and -OIG AMAs.	MEC	(1) 3 lines of defense model adopted by the Board for the GF (Risk Management Policy) but internally not effectively operationalized and embedded. Risk Management, Legal and Compliance and Finance fulfilling control/2nd line functions. Strong 3rd line of defense function (OIG). (2) New Enterprise Risk Committee operational since early 2016 meeting on a monthly basis, allowing deep dive reviews of selected prioritized risks and guidance on optimization of further risk mitigation actions. (3) Operational Risk Committee revived since May 2016 for management review of prioritized risks and mitigation measures in 30 high impact and risk countries. (4) Review and strengthening of internal controls of core processes to become COSO compliant (ongoing, 60% completed).	High	↘	**No change**	***On track*** New Risk Management engagement model for early involvement and formalized risk oversight completed. Strengthened Risk Department and independent risk oversight. 8 out of 30 High Impact and Risk countries have been reviewed by the Operational Risk Committee including approval of portfolio specific risk tolerance. Risk and Assurance pilots completed and approach finalized. Roll-out and embedding of Risk & Assurance Planning Methodology into GMD continues. Prioritized Action Plan (PAP) completed and approved by MEC, and shared with Board in July, containing clear milestones and deliverables to further strengthen risk management and internal controls subject to quarterly monitoring. Reduction in OIG AMAs led by GMD and FISA.	(1) Further strengthen risk management, oversight and internal controls in high risk country portfolios including strengthened assurance and monitoring of compliance. Implement new risk management engagement model, strengthened due diligence and other preventive controls, and enhancing risk framework for greater clarity on roles and responsibilities. (2) Rolling out assurance planning across High impact and Risk countries including increased focus on supply chain and program quality assurance (Q3 2016 - Q2 2017). (3) Strengthening internal controls for all core processes (COSO) enhancing the compliance monitoring function. Set-up process for systematic risk based monitoring of effectiveness of key internal controls.	Low
	14	**Lack of Integrated Processes, Systems and Tools** leading to weaknesses in grant and risk management, high transaction costs, low staff morale with negative impact on the internal control system. Inefficiencies and complex business processes, fragmented IT landscape and lack of an integrated data management system, as well as limited availability of strategic data supporting effective and efficient operations and oversight (KPIs and KRIs). Low coverage of core processes with automated controls.	MEC	Inventory of processes, selection of core processes and mapping of IT infrastructure completed. Financial processes (Step-up) have been fully updated with automated controls almost completed. AIM and Differentiation Projects aimed to simplify, differentiate and integrate Grant Management processes, data systems and tools used by external and internal stakeholders. Systematic Risk & Control review (COSO) used to streamline and strengthen core processes for effective and efficient internal controls and system, IT supported if possible, with 60% of core processes covered to date.	Medium	↘	**Improved** (reduced risk trend from flat to decreasing)	***In progress*** AIM project design for integrated grant data system completed with release 1 covering 70+ grants across 22 countries. Differentiation of grant processes completed, including new country classification implemented (High Impact, Core, Focus), Country Team resources reallocated with additional resources for Nigeria, DRC, India and COE countries. Reduced resources and streamlined approach for focus countries. New OPNs released defining differentiated grant implementation approach and requirements, including risk management and assurance.	(1) Effective implementation of the AIM and integrated grant making and monitoring tool. Increase coverage of IT supported internal controls (automated controls and management dashboards) for all core processes (until end Q1 2017). (2) Management to maintain focus on transparent change management to ensure the successful implementation of transformative projects for greater impact (ongoing).	Low
	15	**New Projects/Initiatives** Critical projects and initiatives will not be delivered on time, as per required quality or in an effective way. (a) AIM (integrated grant management platform and more efficient grant processes end-to-end) (b) Differentiation and simplification of grant making and management processes (c) Risk and Assurance (d) SAGE (e) ITP (f) Operationalization of Wambo (E-Marketplace) (g) HR transformation to support the new HR Strategy (h) Institutionalization of Project Management Techniques to enhance operational excellence.	OED	(1) Central Projects and Business Development Team created in OED office providing the institutional Project Management approach and methodology, coordinating and centrally monitoring cross-divisional projects and initiatives. Strong senior management leadership, oversight and guidance being provided to ensure success of transformational projects in an integrated manner. (2) Project & change management and governance structure in place, supported by a robust Competency Framework and training (modular) to enhance Project Management skills for employees. (3) Integrating Change management, Risk Oversight and reporting as an integral part of the Project delivery model.	Medium	↘	**No change**	***On track*** Differentiation project for GMD completed on time in June 2016 and trainings held to GMD staff. AIM project further advanced and on track with Release 1 of the new Grant Operational System available and tested for selected countries. Risk & Assurance pilots completed and new approach for strengthened assurance and differentiated assurance toolkit finalised. Roll-out and embedding of Risk & Assurance Planning Methodology to high impact countries started. GF project management trainings held for project managers.	Enhance the governance mechanism from project initiation to closure in order to ensure close monitoring and oversight of project investment and delivery through: (1) Project Review Board (project approval and oversight). (2) Monthly Project Coordinating Committee to proactively monitor and track milestone progress including interdependencies across projects and overall risk mitigation for individual projects. Escalation mechanism to the MEC for unresolved items at project level (Ongoing). (3) Continue to provide Project Management training to enhance knowledge and application of PM techniques as a management tool rather than for projects only. Target is to train at least 150 staff by the end of 2016.	Low
	16	**Staff Health** Risk of continued high stress levels and high sick leave of staff due to increased and unsustainable workload, tight deadlines, inadequate staffing and support, poor culture and working climate, bullying and harassment and other violations of corporate values leading to staff burnout, staff disengagement and productivity loss.	ED, GMD, HR	(1) MEC approved flexible working arrangements for improved work-life balance being implemented as per Working Group for Health and employee well-being group recommendation. (2) Working Group for Health and employee well-being came up with recommended actions addressing root causes analysed. MEC approved action plan which is being implemented since June 2015. (3) Wellness Employee Action Plan 2015 delivered and ongoing. (4) 2016 Staff Engagement and Manager Survey conducted, outcome discussed by MEC and shared with staff. In addition, qualitative research study around wellbeing carried out by independent researchers using semi-structured interviews with 10% of GF staff and results shared with HR.	Medium (High in Q1 '16)	→	**Improved** (reduced risk rating from High to Medium)	**Good progress** Various initiatives and information sessions conducted as per MEC approved Wellness Employee Action Plan (covering emotional and physical employee well-being, stress management, nutrition etc). Differentiation of grant processes completed, including reallocation of country team resources and streamlined grant management processes. Positive results related to staff wellbeing from 2016 Staff Engagement Survey, including a reported twenty-point increase (51% to 71%) in overall staff wellbeing since 2014, and a seventeen-point positive increase in sentiments surrounding work-life balance. Reduced claims under staff health insurance reported. Overall decrease in number of employee issues being addressed by Staff Council.	(1) Senior Management to ensure transparent and inclusive change management process for transformative projects resulting in structural changes and impact on staff. (2) Continue implementation of MEC approved Employee Wellness Employee Action Plan with expanded counsellor led sessions around wellbeing. (3) Mandatory training for all people managers on employee and team wellbeing.	Low
	17	**Organizational Culture** New Global Fund culture including effective embedding of values and improved managerial accountability (being a key enabler to successfully deliver on the GF mission and achieve the strategic objectives) will not be operationalized in day-to-day operations.	ED, MEC	(1) Trainings to people management targeted on improving culture conducted. (2) Implementation of HR Strategy (ongoing). (3) Three Values based Foundations Management trainings performed in 2015 for people managers. Wellness Employee Action Plan 2015 delivered and ongoing. (4) Updated Code of Conduct for Staff, new Bullying and Harassment policy and updated disciplinary procedures rolled-out effective March 1, 2016 via Tone from the Top and mandatory info sessions for managers and staff.	Medium	→	**No change**	***Ongoing*** Additional HR management trainings to improve culture and collaboration conducted (expanded to all staff). Positive results related to staff wellbeing from 2016 Staff Engagement Survey. Start of Ethics Officer since May focusing on operationalization of the ethics and integrity framework and monitoring of codes of conduct. High-level focus on culture and values ('tone from the top') as part of new People Strategy.	(1) Continued focus on culture and values ('tone from the top') through monitoring of effective operationalization of updated Code of Conduct for Staff and related new HR policies, also addressing "fear to speak up" and ensuring consistency and transparency for strengthened accountability. (2) Roll-out of awareness raising and related trainings on ethics and integrity as part of new culture project (ongoing). Emerging Risk: While the implementation of D4I was conducted with minimal institutional disruption, the movement of seasoned staff into new positions raises questions about the retention and transfer of institutional memory.	Low

Q2 2016 - Global Fund Organisational Risk Register - Summary version

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	18	**IT Risks** (a) Business interruption and disaster recovery: Interruption of activities due to loss of data and disfunctioning operational and back-up systems in IT. (b) Data security & cyber risk (sensitive/ confidential information) due to lack of internal regulations and awareness, accidental loss, or external or internal cyber attack of sensitive or confidential Global Fund information which could lead to financial loss or serious reputational damage.	FISA	(1) Conducted a Business Impact assessment to understand IT dependencies; moved office email, sharepoint, lync and one-drive to the MS 365 Cloud providing more resilient IT Service for office users and strengthened back-up service. (2) IT General controls considerably strengthened meeting OIG baseline and international IT control standards. (3) New information governance regulations (Data classification public vs confidential information) approved by MEC and effective since Q1 2016. (4) Chief Information Security officer implemented basic IT security measures. (5) Refreshed and new information governance regulations and control measures implemented.	Medium	↘	**No change**	***Good progress*** IT security measures implemented to mitigate cyber risk in treasury operations. Effective IT support for differentiated grant management processes and integrated data management system, further expanding automated controls and efficiency in operations.	(1) Develop new Data Protection Policy (Q2-Q3 2016). (2) Effectively operationalize new information governance regulations & security awareness training and embed as part of 'code of conduct' training for compliance to all staff (ongoing). Rollout policy training incorporated into annual "Code of conduct" for all policies (Q2 2017). (3) Move key IT systems/application out of BIBC to a fully managed service in strategic data centres with high availability and Disaster Recovery (Q4 2016). (4) Security maturation until end 2016 and completion of tailored cyber risk mitigation measures. (5) Expand coverage of IT support and automated controls for all core processes. Ensure effective integrated data systems improving business efficiency and effectiveness as per IT strategy (until end 2016). Enterprise Architecture board setup. Deliver IT Roadmap 2016-18.	Low
Operational Risks **- Grants -**	19	**Treatment Disruptions** due to weak in-country procurement and supply chain management systems and capacity, poor information systems including lack of consumption data and unreliable forecasting leading to treatment disruption and poor quality of services, increased drug resistance risks as well as expired drugs and poor Value for Money.	GMD, Sourcing	(1) A systematic annual review and approval by the Secretariat of forecast and quantification is in place for High Impact countries and high PSM risk countries. (2) The Rapid Supply Mechanism (vendor managed inventory) is implemented by the Global Fund since June 2015 for PPM and non-PPM countries, to respond to urgent needs and prevent stock outs. (3) Cooperation with key partners at country level, with focus on HI countries for the development of national forecast and supply plan. Collaboration and coordination for country demand forecasts is strengthened with USG/PEPFAR/PMI in countries supported by both organizations.	High	→	**No Change**	***Some progress*** Rapid Supply Mechanism being successfully used helping to prevent stock-outs. Coordination mechanism or forecasting committee in place in all HI impact countries to develop and update demand forecast and quantification, and supply plan. Supply Chain collaboration with USG agreed including focus on coordinating demand forecasting at country level. Following a thematic review of the role and the strategic approach of the GF in strengthening Supply Chain systems, Senior Management decided the creation of a Supply Chain Department in the GMD. The SCD will provide additional expert support to the CTs. The Head of SC started in August. He will be leading the development of GF in-country SC strategy (RFP launched 30 June 2016).	(1) Creation of new Supply Chain Department within GMD for comprehensive strengthened country support in improving SC systems and performance monitoring (Q2 2016). (2a) Strengthen in-country supply chains and LMIS in coordination with partners (Supply Chain project). Improve forecasting system in place to capture regular updates of health product forecast (demand) as per program target and therefore improve visibility of future demand and orders. (2b) Improve centralized aggregation and dissemination of Global Supply forecasting and supply planning of products procured by PPM, starting with the 10 portfolios representing 90% of PPM volume. (3) Effective use of GF PPM/Wambo and continued improvement in performance indicators. (4) Strengthen compliance monitoring with GF PSM and QA policies and facilitate innovative interim and sustainable long term solutions with partners through the ITP project and Risk & Assurance Project. (5) Close coordination with key partners for targeted HSS investments in sustainable PSM and QA systems.	Medium
	20	**Substandard Quality of Health Products** due to non-adherence to GF quality requirements, counterfeit drugs, weak supply chain leading to reduced impact.	Sourcing, GMD	(1) Global Fund QA policies for pharmaceutical and diagnostic products and specific quality requirements for LLINs, insecticides and condoms in place including specific pre-shipment inspection and testing to prevent procurement of substandard products. Currently using a policy based approach to manage risk, but insufficient. (2) Requirement for implementer to have a QA plan (that include QC) to monitor product quality throughout the in country supply chain. (3) Supporting targeted HSS investments for establishment of in-country QA lab and NRA support for post marketing surveillance. MoU signed with CepAT based in Ghana for facilitating access to TA in QA/QC for implementers and national labs in Africa. (4) Supporting targeted HSS investments to strengthen pharmacovigilance system in-country. (5) Supporting HSS Supply Chain investments to improve supply chain systems and processes to improve stock security.	Medium	→	**No change**	***Some progress*** PPM Supply Chain - further optimized; in-country supply chain - needs more work. Updated GF Guide to PSM policies for implementers. Policy review of the GF Diagnostic QA policy initiated, proposed update to be submitted to the SIIC in September 2016. Increased QA head-count from 1 to 3 staff approved (still on recruitment in process for one position). Country QA/QC plans reviewed by QA team.	(1) Strengthen monitoring compliance through Supplier Quality and Product Quality Assurance through a dedicated QA and Supply Chain team and/or use of highly qualified external parties for improved upstream & downstream monitoring. (2) Further promote targeted HSS investments for establishment of in-country accredited QC lab and strengthened post marketing surveillance. (3) Based on recommendations from the thematic review completed in March, strengthen the GF supply chain function(s) able to more effectively support in-country supply chain strengthening and improving stock visibility and compliance with GF QA standards and policies (track and trace upstream and downstream).	Low
	21	**Poor Quality of Programs/Services** funded by the Global Fund, including poor adherence to international standards for diagnosis, treatment and prevention, adherence to regimens, rational use of health products and targeting programs to those populations most in need and lead to not achieving impact and causing drug resistance.	SIID, GMD	(1) Global quality standards for key interventions in place and being considered under Global Fund grants (grant making and monitoring of implementation). (2) Work-streams to address these issues include Risk and Assurance project and Program Quality Initiative. (3) Documentation and dissemination best practices approaches (3 countries) collected in HIV/ AIDS.	High	→	**No change**	***On track*** Program and Data Quality Strategy completed and new OPN on Data and Program Quality released which introduces a more robust approach to assessing program and data quality risks. Program Quality and Efficiency (PQE) pilots have begun to test interventions by disease area to improve quality.	(1) Implement strengthened program and data quality approach and assurance utilizing the differentiated approach including assurance on program quality at community level (partially done in 2016 and will be fully implemented in 2017). (2) Closely monitor and evaluate results of the Program Quality and Effectiveness (PQE) project. The aim is to use current best practices at country level in collaboration with partners aiming for accelerated scale-up of quality of care and health services in particular for key populations and most vulnerable. (3) Strengthen GF internal structure with new focus on program quality embedded in all Country Teams and supported by TAP. (4) Strengthen routine monitoring and national surveillance in coordination with partners covering all health care providers (public, private sectors, communities). (5) Enhanced application of a patient-centred approach and strengthened patient follow-up. (6) Documentation and scale-up of evidence-based best practices. Continued expansion of private-public mix.	Medium
	22	**Low Absorption (use of funds)** Low Absorption of funds is a risk following delays in the signing of NFM grants and progress of grants. The use of funds of the portfolio is below expectations for 2015 and is expected to increase by 18% in 2016 to support the desired impact from the allocation.	FISA, GMD	(1) ITP project launched for systematic partner mobilization and implementation support focusing on Top 20 countries. (2) Root Causes and systemic issues identified for Top 20 countries via collective diagnostic conducted per country in Q4 2015 (including national stakeholders, partners and GF) and action plans agreed to address grant bottlenecks and accelerate implementation. Over 100 actions agreed for the 20 countries and captured in jointly developed partners mutual accountability framework. (3) Monthly monitoring of progress and quarterly updates of financial forecasts and expenditures on country and global basis.	High	→	**No change**	***Ongoing*** Implementation of actions in-country ongoing. Monthly monitoring of agreed actions based on partners mutual accountability framework.	(1) Pro-active country engagement and follow-up for effective implementation of action plans for Top 20 countries in collaboration with strategic partners. (2) Close monitoring and support from senior management as needed to address critical bottlenecks. (3) Implement new risk management engagement model for high risk grant portfolios and ensure participation of in-country partners and implementers in determining most effective risk mitigation measures and assurance tailored to the country context and needs. (4) Systematically identify, document and share best practices and lessons learnt, internally and with key partners.	Medium
	23	**Poor Financial Reporting by Countries** Possibility that records maintained and reports provided by PRs or SRs (e.g. cash balance updates; quarterly expenditure reports) are incorrect, delayed, incomplete or have inadequate supporting documentation due to inadequate financial management systems at implementer level.	FISA	(1) Tracking of audit reports, identified issues and progress in addressing issues/recommendations. (2) Close monitoring by GF finance officer of actions from Financial Risk and Assurance Plans for High Impact and Core countries, covering key financial risks and mitigation measures including strengthened financial management systems and processes at PR level. (3) Close follow-up by GF finance officers on timely and accurate reporting of grant expenditures and cash balances by PRs. (4) Action Plans for Strengthening Financial Management Capacity of implementers in place for 13 countries.	Medium (High in Q1 '16)	→	**Improved** (reduced risk rating from High to Medium)	***On track*** Financial Risk and Assurance Plans for High Impact and Core countries completed. Execute Action Plans in 13 countries for Strengthening Financial Management Capacity of implementers.	(1) Develop financial monitoring dashboard for systematic oversight of financial control effectiveness at implementer level (Q3-Q4 2016). (2) Continue development and implementation of capacity-building action plans with a focus on "use of country systems & harmonization" (PRs are encouraged to focus on both their own & SR capacity building efforts) in collaboration with Government/PR & other partners in 11 countries until end 2016.	Medium
	24	**Grant Related Fraud and Fiduciary Risks** Risk of inadequate financial/fiduciary control, including procurement practices within implementers. The outcome of these risks, if not managed appropriately, are under-absorption of funds, misuse of funds and/or a lack of financial efficiency.	FISA	(1) Strengthening of fiduciary controls including over procurement is being applied to new grants and during grant implementation (ongoing). (2) Use of increased monitoring by LFAs and use of Fiscal Agents for implementers with weak internal control system and in high risk countries. (3) Use of PPM or outsourcing of procurement to Procurement or Fiscal Agents in case of inadequate internal controls at implementer level as risk mitigation measure.	Medium	→	**No change**	***Ongoing*** Financial Risk and Assurance Plans for High Impact and Core countries completed. Financial Control Environment Review (FCER) pilot completed for Nigeria by independent party. New Integrity Due Diligence Project initiated, led by the Ethics Officer, and external provider for third party due diligence risk management system selected via competitive process.	(1) Evaluate and embed lessons learnt from Financial Control Environment Review (FCER) pilots for strengthened fraud risk management in high-risk grant portfolios. (2) Develop financial monitoring dashboard for systematic oversight of financial control effectiveness at implementer level (Q3-Q4 2016). (3) Develop and implement new Integrity Due Diligence policy and framework for selection and ongoing monitoring of implementers, suppliers and other 3rd parties (Q3 2016 – Q4 2017).	Medium
	25	**Poor Grant Oversight & Compliance (at PR level)** Inadequate PR oversight of grant programs and non-compliance with GF & quality requirements (e.g. PSM, WHO/ national guidelines on quality of services) due to inadequate internal control systems and capacity at implementer level leading to reduced impact, poor VFM, potential major fraud incidence and reputational damage.	GMD, FISA	(1) PR selection prior to TRP and GAC approval that meet minimum standards. Increased efforts are being made in grant making to address critical capacity issues prior to grant signing ('disbursement-ready grant'). (2) Implementation arrangement mapping being done for all new grants which helps in optimisation of implementation structure and targeted strengthening of internal controls.	Medium	→ ↗	**Improved** (risk trend reduced from increasing to flat)	***Ongoing*** Risk and Assurance approach finalized and pilots completed. Updated OPNs released for differentiated grant management and strengthened assurance, with additional resources made available allowing improved GF oversight & compliance monitoring for high impact and risk countries and high risk areas.	(1) Increased focus on selection of strong PRs/implementers who meet the GF minimum standards related to internal controls and capacity determining allocation of funding to PRs. (2) Successful implementation of initiatives aiming at improving implementer capacity and strengthening of internal controls (e.g. Finance initiative on strengthened financial management systems of PRs in cooperation with partners including specific guidelines). (3) Implementation of strengthened risk management and assurance for all high risk & impact country portfolios (Q3 2016-Q4 2017). Finance rolling out in all countries (Q4 2016).	Medium
Governance Risk **(Board/ CG)**	26	**Weak Governance and Oversight** Failure to adequately respond to identified weaknesses in governance mechanisms related to risk management and governance oversight, risks weak decision making and failure to provide clear strategic direction by the Board.	Board Chair	(1) Ethics and Governance Committee started its mandate in April 2016, first meeting June 2016. It will pick up 'legacy' issues from the Transitional Governance Committee including board composition. (2) New coordinating group in place, and meeting regularly every six weeks with systematic reporting to the Board. Review of cross-cutting issues, including the Prioritized Action Plan regularly on the agenda. (3) Performance Assessment Framework developed and implemented at every committee meeting. Board and Board Leadership assessments initiated. (4) Improvements to institutional memory management and decision-making ongoing. (5) Improved governance structure and new committees now in place, following competency based review of potential members.	Medium	→	**No change**	***On track/Substantial progress*** Strengthened oversight and systematic review of cross-cutting issues and risks continues (CG). Ethics and Governance Committee has detailed work plan covering critical governance and ethics work streams. Performance assessments and improvement plans becoming the norm, and mainstreamed. New Committee member induction, and induction processes for Committee leadership completed.	(1) Implementation and effective operationalization of Board governance reforms. (2) Implementation of new on-boarding for Board members and development of e-learning modules (including on ethics). Lifecycle management to include 'off boarding'. (3) Continued governance improvements as recommended by the EGC to the Board. (4) Defined strategic information allowing pro-active strategic direction and oversight of the organisation (strategic and operational KPIs and key risk indicators). (5) New Board Leadership selection process initiated in Q3/4 (based on EGC recommendations to the Board).	Low

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Ethics Risks **(All)**	27	**Ethical Misconduct** Non-Compliance with GF ethical standards and policies (as defined in Codes of Conduct for staff, recipients and suppliers) by GF employees, implementers and other contracted 3rd parties and key decision-makers leading to poor decision-making, potential fraud, financial loss, reputational damage, and/or the GF not meeting its strategic goals.	Ethics Officer	(1) Ethics Policy including Conflict of Interest in place. (2) Codes of Conduct and various ethics policies in place for staff, GF recipients, suppliers, LFAs and Board. (3) Whistleblowing line to OIG in place. (4) Strengthened Ethics & Integrity Framework approved by GF Board in November 2014. (5) Code of Conduct for Governance Officials and creation of an independent Ethics Office approved by GF Board end March 2015. (6) Updated Code of Conduct for GF staff, new HR bullying and harassment policy and strengthened disciplinary measures, effective since March 1, 2016, supported through Tone from the Top and interactive HR information sessions (communications led by ED, Chief of Staff and HR Director).	Medium	→	**No change**	***Ongoing*** Start of new Ethics Officer (May 1, 2016) with initial review and operationalization of ethics related policies and codes of conduct. New Integrity Due Diligence Project initiated led by the Ethics Officer, and external provider for third party due diligence risk management system selected via competitive process.	*Timelines and actions updated by new Ethics Officer:* (1) New Ethics Officer to lead finalization of strengthened Codes of Conduct for Suppliers and Recipients and new ABC policy subject to AFC approval. Legal to strengthen contractual obligations in standard terms and conditions of supplier contracts and grant agreements (Q4 2016). (2) Develop and implement new Integrity Due Diligence policy and framework for selection and ongoing monitoring of implementers, suppliers and other 3rd parties (Q3 2016 – Q4 2017). (3) Systematic review and strengthening of ethics & integrity policies, system and operationalization in a holistic way (Q3 2016 – Q4 2018). (4) Awareness raising and training to all key stakeholders and decision-makers (led by new Ethics Officer and Business) (Q4 2016 – Q2 2017). (5) Establish system for effective monitoring of implementation and compliance (Q4 2017).	Low
Other **(All)**	28	**Privileges and Immunities** Absence of P&Is exposes the Global Fund, its governance officials and staff, to lawsuits and its assets to enforcement measures. In addition, lack of P&Is hinders the Global Fund's ability to: (a) protect and maximize the impact of Global Fund resources (assets, income and property can be subject to taxation, currency and other restrictions); (b) conduct resource mobilization in connection with the opening of local bank accounts, remittance of contributions in local currency and regulation/restriction on fundraising activities; (c) protect governance officials and staff in the conduct of safe field activities; (d) deliver life-saving commodities in a timely and efficient manner due to customs and other restrictions; (e) conduct recovery efforts free from legal delays and diversions.	Legal	(1) Strategy developed under the guidance of the Privileges and Immunities Advisory Group (PIAG) to focus on selected priority areas for P&I efforts. (2) P&I Strategy approved by Board Leadership, with strong support from AEC and FOPC, whereupon implementation has begun. (3) PIAG also involved in high-level advocacy leveraging diplomatic and political networks. Current status: 10 implementing states have become signatories to the P&I Agreement. At present, 4 of the ten signatories to the P&I Agreement have ratified, or otherwise accepted or approved, the instrument under their domestic laws. 6 additional ratifications, acceptances or approvals are required before the P&I Agreement becomes effective.	Medium	→	**No change**	***Ongoing*** Implementation of P&I Strategy ongoing led by the Legal Department and supported by PIAG high-level advocacy activities leveraging diplomatic and political networks. Update reported to EGC in June 2016	Implement new P&I Strategy with focus on selected priority areas for P&I efforts.	Medium
Reputational Risk **(All)**	29	**Reputation** Misleading or disproportionately negative media coverage of misuse of funds or other inappropriate activities leads to reputational damage and potential loss of future donor funding. Donor confidence might also be negatively affected by critical OIG reports released in Q1-Q2 2016 (HI countries), organisational inefficiencies, poor governance and oversight, performance issues or serious internal control weaknesses.	Comms, MEC	(1) Consultation with relevant Board members and partners as needed. (2) Fast-moving communications and media coverage require coordinated planning and agile engagement. (3) Strengthened internal controls (ongoing) and accountability. (4) Strong project management set-up, leadership and senior management oversight for strategic projects and improved performance. (5) Strengthened risk management department allowing early engagement and in-country reviews and support.	Medium	↗	**No change**	***Ongoing*** Strengthened risk management and oversight for high impact and risk portfolios including COEs as part of differentiation project. Operationalizing early engagement and preventive risk control prior to grant signing and disbursement, and in-country reviews by independent Risk Department. Start of new Ethics Officer (May 1, 2016) with initial review and operationalization of ethics related policies and codes of conduct. New Integrity Due Diligence Project initiated, led by the Ethics Officer, and external provider for third party due diligence risk management system selected via competitive process.	(1) Continue close monitoring and accelerated implementation of OIG agreed management actions (AMAs). (2) Further strengthen and operationalize ethics controls and culture. (3) Develop and implement new Integrity Due Diligence policy and framework for selection and ongoing monitoring of implementers, suppliers and other 3rd parties (Q3 2016 – Q4 2017).	Medium