38th Board Meeting

Risk Management Report

GF/B38/18

14-15 November 2017, Geneva, Switzerland

Board Discussion

PURPOSE: To provide the Board with an updated report on Risk Management.

S The Global Fund

I. Executive Summary:

Context

- 1. The Global Fund supports programs to fight HIV/AIDS, tuberculosis and malaria in many countries where health structures may be weak or absent and where political and historical factors create high risk environments. Despite the risks involved, the Global Fund has invested successfully in the implementation of programs aiming at making critical prevention, treatment and care services available to all through health and community systems. Financed programs have leveraged capacities of partners in the health sector and country implementers to improve health outcomes and save lives. As the Partnership moves towards greater support of the increasingly ambitious, scaled-up and complex interventions needed to defeat the epidemics and contribute to universal health coverage, the operational risks it faces are changing and often increasing. This implies that the Global Fund will not be able to deliver on its mission to end the three diseases without taking significant risks, often over long periods of time.
- 2. Effective risk management is central to achieving the long-term success of the Global Fund's current Strategy. By integrating risk management within the fabric of its key business processes and partnerships, the Global Fund is building increasingly mature processes and controls in order to respond proactively to key risks at all levels of operations, bearing in mind their often evolving nature.
- 3. The Board's guidance and assistance will continue to be critical in steering the Secretariat to successfully manage this evolution in executing bold and transformative initiatives in support of the Strategy for 2017-2022. This will increase the pace of improvement in the Global Fund's risk profile and, consequently, accelerate impact against the epidemics.

Questions this paper addresses

- 4. This Risk Management Report covers the following:
 - a. <u>Changes in the external environment and evolving stakeholder expectations</u> and their effect on the risk profile. The uncertainty in the environment creates potential reputational and funding risks to the organization;
 - b. <u>Key thematic enterprise-wide risks focusing on impact, many of which center on issues</u> critical to Global Fund's success and extend beyond the Secretariat itself;
 - c. <u>Progress in advancing the maturity of risk management and internal controls</u>, where real momentum was reached with an appropriate tone set by the Board and Executive Management;
 - d. <u>Status update on the Prioritized Action Plan</u>, which saw significant progress on key initiatives. A few initiatives have seen some delays or been rescheduled. However, these are not a concern at this time; and

Conclusions

5. Progress in strengthening country systems and within the Secretariats operations, systems and tools is starting to positively affect the risk profile. However, this improvement is offset by an increase in risk levels that are driven by greater uncertainty in the broader geo-political environment. On balance, the overall risk profile has been largely stable over the past 6-12 months. Much has been achieved in advancing the maturity of the organization towards an embedded state,

however much still needs to be done. It is therefore crucial that the current momentum is maintained.

Input Sought

6. This paper constitutes the Secretatriat's semi annual update on risk mangement for the Board's information.

Input Received

7. This report has been shared with all three Board committees in the context of discussions surrounding Risk Appetite.

II. Introduction:

- 8. The Global Fund supports programs to fight HIV/AIDS, tuberculosis and malaria in many countries where health structures are weak or absent and where political and historical factors create high risk environments. This implies that the Global Fund will not be able to deliver on its mission to end the three diseases as epidemics without taking significant risks, often over long periods of time.
- 9. Effective risk management is essential for the successful execution of the Global Fund's 2017-2022 Strategy. In order to meet its main strategic goals, the organization is integrating risk management within the fabric of its key business processes and partnerships by leveraging increasingly well-functioning risk management processes and controls in order to respond proactively to key risks at all levels of the Global Fund's operations.

III. Changes in the External Environment and Evolving Stakeholder Expectations:

- 10. Continued volatility in the external geopolitical environment is increasing the risk to **future funding** because of uncertainty it creates around both the conversion of existing contributions from the Global Fund's donors and the success of the 6th Replenishment in 2019. While some recent budgetary decisions by major donors have been positive, shifting donor priorities and increased scrutiny of aid contributions call for the Global Fund to continue to be vigiliant and deliver consistently on strategic donor expectations. Continued geopolitical volatility also heightens **reputational risk** to the Global Fund relative to the scrutiny aid programs are undergoing, and how such scrutiny is manifested in various media. Close monitoring and a proactive communications strategy will be required in the event this risk materializes in a changing aid landscape.
- 11. Since its inception, the Global Fund has supported interventions to control epidemics that threatened to spiral out of control. Despite the risks involved, the Global Fund has invested successfully in the implementation of programs aiming at making critical prevention, treatment and care services available to all through health and community systems. Financed programs have leveraged capacities of partners in the health sector and country implementers to improve health outcomes and save lives. These "first steps" produced measurable impact on the ground, paving the way for the new 2017-2022 Strategy, which is designed not just to contain the epidemics but to defeat them as public health threats. With the "easy" part behind us, the current Strategy appropriately lays out a more ambitious approach to program expansion with a focus on the most

vulnerable, hardest to reach, and toughest to treat. As the Partnership continues to pursue its objectives in diverse and challenging contexts, the operational risks it faces are changing and often increasing. The degree of scale up and innovation at the portfolio level could, at least temporarily, affect **program quality and efficiency**, particularly in implementing countries with weak health systems and high risk environments.

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

12. The key strategic and operational risks facing the organization as it implements its Strategy are catalogued in the Organizational Risk Register (ORR). These key risks are prioritized by the Global Fund's Senior Management and their respective Risk Owners, discussed regularly at the Enterprise Risk Committee (ERC) and monitored and updated on a quarterly basis relative to their impact on the Global Fund's mission (See the ORR covering Q2 of 2017 and its accompanying memorandum in Annex 1). Many of these risks center on issues critical to Global Fund's success and extend beyond the Secretariat itself. Their mitigation requires consistent measurement and monitoring, allocation of sufficient organizational resources, and close collaboration with partners. This report highlights five key risks from the ORR that are particularly relevant and timely as the Global Fund implements its 2017-2022 Strategy.

1. Program Quality and Efficiency:

Program Quality and Efficiency (PQE) is an area of focus across the organization from both design and implementation perspectives. Poor quality programs decrease the impact of Global Fund's investments in fighting the three diseases. Poor adherence to international standards for diagnosis, treatment and prevention, poor adherence to regimens, irrational use of health products and increased drug resistance are typical outcomes of suboptimal PQE. As discussed in the previous section, this risk may be heightened, at least temporarily, by program scale up and innovation and is exacerbated in high risk environments which account for a significant portion of Global Fund investments.

Through the Impact through Partnership initiative, the Global Fund is addressing a number of root causes of program quality and efficiency risk, including:

- Inadequate use of data;
- Misaligned interventions and targets;
- Insufficiently focused interventions;
- Missing or un-vetted guidelines for quality of care assessments;
- Non-adherent programs to approved national or WHO guidelines; and
- Inadequate staff capacity.

While differentiated models of care for TB and HIV service delivery are being rolled out, TB case detection is improving through active case finding, and studies on program quality improvement of Integrated ANC/PNC are being initiated in selected countries, resource constraints are limiting the planned scale up at the initial envisaged pace. This requires continued attention, especially given the importance of PQE for a successful execution of the 2017-22 Strategy.

2. Drug and Insecticide Resistance:

The risks posed by Drug and Insecticide Resistance are well recognized and continue to represent major areas of importance for the three diseases. This reflects the reality faced in addressing risks over which the Global Fund and its partners have only partial ability to mitigate. That said, the Global Fund, together with its partners, is playing its part to manage these risks.

Several key initiatives bear out the Global Fund's approach:

- The Regional Artemisinin Resistance (RAI) program, a \$124 million grant to avert the spread of artemisinin resistance and accelerate elimination of P. falciparum malaria in the Greater Mekong Subregion;
- Continued emphasis on monitoring insecticide susceptibility in malaria vectors, and optional use of new generation LLINs are current key focus areas in addressing malaria insecticide resistance;
- The Global Fund is likewise committed to finding the world's missing cases of TB, expanding diagnosis of MDR TB, adopting the WHO-recommended short-course treatment regimen and improving treatment of drug sensitive TB to prevent resistance;
- Support for increased capacity for drug susceptibility testing (DST) for second-line TB drugs;
- The Global Fund is contributing to the development and implementation of the Global Action Plan (GAP) for HIV drug resistance; and
- Support for Dolutegravir (DTG)-based ART treatment regimens, a significant, gamechanging intervention for drug resistant virus, has become a key strategic priority for the next 6-12 months.

3. Human Rights and Gender Inequality:

In its Strategy, the Global Fund recognizes that promoting and protecting human rights and gender equality is crucial to the success of its mission. Failure to address human rights-related barriers and gender inequality issues can result in failure to achieve not only its related Strategic Objective, but the organization's broader ability to maximize impact against the diseases. As a result, the \$200 million in Catalytic Funding is being invested to support four sets of complementary priorities, including US \$100 million in support of key population sustainability, continuity and impact, US \$45 million for human rights, and US \$55 million for adolescent girls and young women.

The residual risk the Global Fund faces with respect to "Human Rights and Gender Inequality" remains at a "high" level. Together with partners at global and regional levels, the Global Fund is addressing human rights related barriers to services and gender inequality across a cohort of 20 countries and is expanding programs for adolescent girls and young women in 13 countries through a set of initiatives including:

- An intensive human rights support effort in 20 countries, with \$45 million in matching funds to catalyze investments;
- Programs to reduce human rights-related barriers to TB and to malaria;
- Gender assessments in the Action Plan on finding missing TB cases;
- A "Malaria Matchbox" tool that analyzes human rights and gender barriers to programmatic effectiveness;
- Differentiated support to country teams, with a focus on ensuring greater investment in medium income countries; and
- A draft accountability framework on gender/gender equality.

A further US \$15 million is available to support a Community Rights and Gender Strategic Initiative in pursuit of the overall Strategy.

While the human rights and gender initiatives have the potential to materially "move the needle" on human rights and gender inequality, lasting success will require increased efforts by the Secretariat as well as sustained on-the-ground technical collaboration and advocacy by technical partners. In addition, engaging relevant and influential in-country political and community

stakeholders and leveraging their leadership and will to address key social, cultural, and political barriers cannot be overlooked.

4. Internal Operations:

Internal Operations reflect key operations at the Secretariat, including Information Technology (IT), Financial Controlling, Sourcing (indirect procurement) and key enterprise-wide projects that affect operational continuity, such as the Health Campus project.

The Internal Operations risk rating of "high" is currently driven primarily by four factors:

- Health Campus move: The Health Campus move is a complex undertaking with a tight timeline and with many interdependencies. It is being executed in partnership with GAVI;
- Information technology: The risks associated with information security continue to be elevated;
- Contract-related sourcing risk: Weaknesses were noted in 2016 in the internal sourcing processes. While improvements have since been rolled out, more time is needed for them to get embedded;
- Budgetary pressures relating to implementing an ambitious strategy. With a cost base that is largely fixed, the process of re-aligning expenses behind top priorities also carries risk.

Increased management focus on Health Campus, IT and Sourcing issues over the first half of 2017 has produced strong mitigating actions that have stabilized the level of Internal Operations risk. If these actions are successfully executed as planned, the risk should reduce over the next 2-3 quarters. The decisions around the budgets are currently being made with a high degree of rigor and transparency. Recognizing the potential need for a more fundamental re-look at the cost base, a new initiative entitled 'Fit for the Future' has recently been launched. It will map out the activities most critical to delivering the Global Fund's Strategy, pointing to better alignment of budget to activities with the greatest value.

5. Governance:

Governance and Oversight is a key risk for the Global Fund. Failure of the Board to adequately respond to identified weaknesses in governance mechanisms, prioritize key issues, focus on practical outcomes and preserve institutional memory can lead to faulty decisions and an inability to provide clear strategic direction. This can negatively affect program funding, implementation and impact against the three diseases.

Some of the key factors informing the Global Fund's Governance risk include:

- Executive Director selection process in 2017;
- Managing confidential information;
- Managing Board-related conflicts of interest;
- Board size, structure and composition;
- Succession planning & selection processes;
- Leveraging Committee roles; and
- Elevating Board discussions to align with strategic priorities.

The Board has made measurable progress on governance and oversight reform in 2017. However, the 2016 Board performance assessment and this year's OIG governance review both highlighted the need for structural and cultural improvements at the Board level. In response, the Ethics and Governance Committee has prioritized a set of key transformations which will be monitored through a comprehensive Governance Action Plan. In order to effectively fulfil its oversight role

around Risk Management, the Board will need to devote greater attention towards defining a comprehensive risk appetite framework supported by a structured process for monitoring risk levels and mitigations. To be effective, the Board and Committees need to take a leadership role in making the often difficult changes necessary for the successful execution of their oversight roles. This will be critical to advancing the maturity of the organization.

V. Progress in Advancing the Maturity of Governance, Risk Management and Internal Controls:

- 13. In the Annual Opinion in May 2017, the Chief Risk Officer (CRO) had concluded that during 2016, there has been clear progress in advancing the maturity of Governance, Risk Management and Internal Controls within the Global Fund, moving meaningfully towards an 'Embedded' state. The CRO had also highlighted the following areas where continued and/or increased attention and progress was required to achieve an 'Embedded' state of maturity in 18 months:
 - a. Maintaining momentum in operationalizing the results of the current initiatives including "Embedding Risk Management" and the initiatives captured under the "Prioritized Action Plan";
 - b. Building out a robust internal control environment;
 - c. Development and operationalization of Risk Appetite; and
 - d. Improved Governance.
- 14. The plan on 'Governance' has been covered in the prior section and progress on Prioritized Action Plan will be covered in the Section VI. The remaining are discussed below.

1. Embedding Risk Management into the Core Processes of the Global Fund:

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. Over the past 2 years, the Secretariat has been working to develop, operationalize and embed improved risk and assurance frameworks, processes and tools across the organization, develop more robust and strategic controls and mitigations, and both enhance and create more clarity around the roles and responsibilities of the first and second lines of defense. The Secretariat's goal is to focus on mitigating key risks/issues, especially in mission-critical countries and portfolios so that the Global Fund can successfully execute its Strategy.

Real momentum was reached with an appropriate tone set by the Board and Executive Management. The Secretariat's objective is to move to an 'embedded state', hence the focus on rigorous risk management, in-depth risk reviews, implementation of mitigating actions, and informed decision making throughout the grant lifecycle in support of the execution of the 2017-2022 strategy. The Global Fund's ability to address key risks to the organization and its mission can be characterized in terms of progress in the following areas:

- An agreed upon **Risk Engagement model** for grant management, focusing on a differentiated approach, has clarified the roles and responsibilities of the three lines of defense, the accountability and escalation framework, and the principles related to the nature of independent oversight aligned with the risk levels.
- **Risk management and oversight** in relation to grant management occur at funding request and grant making, during grant implementation and at grant closure. Applying the principles of combined assurance, second line of defense challenges and supports the identification of risks and root causes and the development of mitigation plans completed by

the first line and in-country stakeholders. Upfront agreement on key risks, mitigations and assurance provision allows for strengthened monitoring and course correction. In addition accumulated knowledge and lessons learned are capitalized for the management of risks for future grants. During the first two access to funding windows, independent risk views were provided for all funding requests from high impact portfolios and over 80% of the core portfolios funding.

- **Risk and Assurance planning** exercises are increasingly leveraging the expansion of assurance options for Supply Chain and Data Quality risks and are being rolled out, with some delay due to competing workload priorities and tight timelines in this year of funding renewal.
- The **Operational Risk Committee**, in addition to focusing on high impact countries, has prioritized the review of countries in challenging operating environments and their requests for flexibilities. These flexibilities are expected to facilitate improved coverage of critical program services in high-risk countries.
- The Global Fund's ongoing focus on strengthening fiscal controls has resulted in a decrease in large cases of fraud. Last year's **Financial Control Environment Review (FCER)** resulted in a number of further actions that are currently being executed and will result in better fraud prevention, stronger PR controls and improved and aligned financial assurance from various providers, including LFAs and external auditors.
- The **Recoveries process** continues to improve, as evidenced by significantly reduced net recoverables. As of June 30, 2017 the \$ 11.1 million total outstanding recoverable balance, net of written commitments, demonstrates resolution of 90% of the aggregate recoverable amount over time (up from 85% as of 31 December 2016). The 90% results from both an increase in resolution of recoveries case and a decreasing trend in new cases. This improving trend is expected to continue during the rest of 2017.
- The **Organizational Risk Register** has been redesigned and the changes made to the ORR have yielded a user-friendly document that will ease reporting and monitoring progress on key mitigating actions and aid decision-making relative to evolving risk levels and appetite. In addition to bringing greater objectivity to the process of measuring and monitoring risk levels, the revised ORR is better structured to be used across Agencies, an ask from the Board at the last meeting.
- Besides some delay in the roll-out of the assurance plans and the enhancements in supply chain and programmatic assurances still underway, one area of concern was the ongoing delay in the development and rollout of the **Integrated Risk Tool** (IRT) though AIM. A new solutions provider has recently been hired and based on revised timelines, is expected complete the tool for use by December 2017.

While there has been meaningful progress in embedding risk management across the grant lifecycle, we continue to be cognizant of delays that can impede the Global Fund's progress in this area, and of the fact that they can be caused by competing mission- critical priorities such as grant making. However, these competing priorities should reduce in number and scope as we move further into the new allocation cycle.

2. Strengthening Internal Controls and Monitoring:

Steady progress is being made to assess key business processes for robustness against the COSO Integrated Framework for Internal Control. Of 20 core business processes identified for assessment, 12 **business process reviews** have been completed, while in 2017, reviews have

been initiated for the remaining eight core processes. Of these, three reviews have been completed and another three are expected for completion by October 2017, including new policy development; LFA management; and funding request and grant approval processes. The remaining reviews of grant management processes are on track to be completed by the end of 2017.

Completion of these reviews will result in improved process documentation including process mapping, and clear key controls within these processes; identification of control gaps through a self-assessment approach, resulting in recommendations for strengthening internal controls and monitoring; and leveraging the AIM initiative to embed internal controls for grant management processes within an automated system.

The Secretariat has also issued its **Accountability and Escalation Framework and Business Process Owner Matrix.** The Accountability and Escalation Framework defines roles and responsibilities of process owners, while the Business Process Owner Matrix identifies accountability for core business processes. While a compliance function responsible for ongoing monitoring periodic testing of controls is under development, further time is also needed to embed the culture where process owners hold themselves responsible for compliance with their processes.

3. Developing and Operationalizing Risk Appetite:

Risk Appetite is the amount of risk, at a broad level, an organization is willing to accept in pursuit of its objectives. It reflects their risk management philosophy, and in turn influences the risk culture and operating style. Set by the Board, it should align with strategic objectives that have been set for the Global Fund, drive resource allocation and help the Secretariat make consistent and transparent risk-reward trade-offs. A well-documented and operationalized Risk Appetite will lead to Secretariat being better informed and more confident in taking appropriate (higher or lower) levels of risks to achieve the objectives of the Fund. As mentioned before, this is also critical for advancing the risk management maturity of the organization.

Over the last few years, the Global Fund has established the architecture and business processes to operationalize Risk Appetite, including monitoring risk on a regular basis, and making risk trade-off decisions, as necessary.

The focus over the last few months has therefore been on developing objective methodologies for measuring key risks, especially grant portfolio related risks, and formulating appropriate risk appetite levels to be recommended to the Board for their approval in May 2018. With the guidance from the Audit and Finance Committee, there has been progress on both these fronts on a few key risks. This work will be progressed further during October with discussions planned with all the three Committees.

While we plan to bring a recommendation on Risk Appetite to the Board in May 2018, there will be a pre-board day session in November 2017 so the Board can be consulted and the Secretariat gets an opportunity to get their input and feedback.

Once the Risk Appetite has been approved by the Board, future Risk Reports to the Board will show the risk profile of the Global Fund against the Board approved appetite. The Board can then either approve or suggest adjustments to risk levels or appetite. These will all have to be done in the context of the strategic objectives. As a typical risk-reward trade-off, more ambitious or difficult strategic objectives often require higher risk levels and hence appetite to achieve.

VI. Status Update on the Prioritized Action Plan:

- 15. The Prioritized Action Plan tracks the deliverables on the key and often cross-cutting Secretariatwide initiatives, many of which also serve as the major mitigating actions to risks identified within the Organizational Risk Register. A detailed progress update on the Plan is provided in Annex 2.
- 16. Since the last Board Meeting in May 2017, significant progress has been made towards key initiatives. At the same time, a few initiatives have seen some delays or been rescheduled due to a combination of factors, including adjustment of timelines and/or scope (Supply Chain and AIM) or reprioritization of deadlines driven by increased workload related to mission-critical grant-making activities in the first year of the 2017-2019 funding cycle (Assurance Plans). These delays are not of concern at this stage as they are within acceptable ranges; the initiatives continue to receive an appropriate level of management oversight and commitment, and progress continues to be made. The Global Fund is already benefiting from the completion of a number of these initiatives:
 - **1.** Accelerated Integration Management (AIM) Project with four staged releases successfully completed, a number of critical functionalities for funding requests, grant-making, grant revision, disbursements, Principal Recipient reporting and master data now operational in the Grant Operating System (GOS) and are being actively used in this funding cycle.
 - 2. Successful completion of the **Differentiation for Impact (D4I) Project**, resulting in a reallocation of internal resources and alignment of processes with risk and impact. Improvements were also made to numerous other processes, including successful launch of **differentiated access to funding modalities** in the first two review windows of the 2017-2019 funding cycle.
 - **3.** Successful transition of all Principal Recipients currently using the Pooled Procurement Mechanism (PPM) to channel their orders via **wambo.org** has eliminated the need for offline PPM transactions.
 - **4.** Steady roll-out of the **Impact through Partnership (ITP)** initiative is being mainstreamed into the Global Fund's core business. As it is embedded across the Secretariat, ITP is building on work done on Program Quality and Efficiency and shifting to a country-centric approach, which will simplify key areas of operation and expressly link risks to achieving impact along the results chain.
 - **5.** Progress continues on the **Supply Chain Transformation Initiative**, although some timelines have changed following the arrival of the new Head of Supply Chain, who led development of a robust approach to supply chain strengthening in the first half of 2017. While there were initial delays in implementing supply chain assurance options in five pilot countries, these are now completed and plans for roll out beyond the pilot countries have been developed.
 - **6.** Progress in strengthening implementers' financial management capacity through the **Co-Link Project**, with work underway in nine countries, including successful operationalization of a shared services approach through integration of financial management services within a single unit piloted in two countries in 2017. The Secretariat has updated Guidelines for Grant Budgeting and while extensive consultations have led to a six-month delay in publication, the Financial Management Handbook for implementers, outlining minimum standards required for grant implementation, is expected in Q3 2017.
 - **7.** Implementation of a robust **Strategy Implementation Plan** (SIP) for 2017-2022, which links Strategic Objectives to deliverables, and progress against which is monitored by senior management on a quarterly basis to ensure alignment and course-correction as needed. The

SIP is functioning as intended to help the Secretariat to operationally monitor the Global Fund Strategy.

17. Going forward, in order to continue the rigorous discipline initiated with the PAP while avoiding duplication of reporting to the Committees and the Board, the new mission critical initiatives such as the ones tracked under PAP will now be tracked and reported as part of the overall Strategy Implementation Plan.

VII. Potential Challenges in Maintaining Current Momentum:

- 18. **Continued Focus from the Secretariat:** As expected, ongoing pressures of grant making under the new funding cycle has diverted attention from certain risk management activities. While our expectation is that this trend should reverse as the heavy period of grant making concludes by the end of 2017, continued management attention will be important.
- 19. **Leadership Transition:** As the Global Fund is undergoing a transition of leadership over the coming quarters, there exists the risk of potentially changing priorities and loss of momentum of key initiatives. Execution of material changes such as these will take time and the journey will be iterative and therefore the ongoing support of the Board will be critical.

VIII. Conclusion:

- 20. We are seeing early stage benefits and some improvement in risk profile driven by a combination of factors progress in strengthening in-country systems (Supply Chain, Financial Capacity building, Procurement), focus on key strategic initiatives (Transition and Challenging Operating environments) and improvements within the Secretariats operations (systems and tools via AIM, risk management and assurance practices). These improvements are partially offset by increase in risks driven by greater uncertainty in the broader geo-political environment. On balance, the overall risk profile has been largely stable over the past 6-12 months.
- 21. Also, as discussed above, while there has been material progress in advancing the maturity of the organization, much still needs to be done. It is therefore important that we maintain the momentum and focus so we can benefit from the investment made in this area over the past few years.

GF/B38/18 - Annex 1

The Global Fund's Organizational Risk Register Q2 2017

(31 August 2017)

The Global Fund's Organizational Risk Register

Definitions

Definitions for the Organizational Risk Register

The ORR is designed to align management around key risks and mitigations, driving focus and attention within the organization.

Risks: Key organization-wide risks that could have an adverse impact upon the Global Fund's ability to meet its strategic objectives, with a descriptions of risk and its impact.

Key Countries/Components: Where applicable, those countries/grants that contribute most significantly to the aggregate risk profile of the organization and where controls/mitigating actions would have the greatest effect.

Root Causes: Drivers of risk against which controls and mitigations are placed.

Current Controls & Mitigations: Key mitigating actions and controls (both preventive and detective) that are already in place and functioning as expected.

Assurances: Measures that gauge whether adequate controls and mitigating actions are in place and working effectively to manage key risks with the ultimate goal of achieving the organization's objectives.

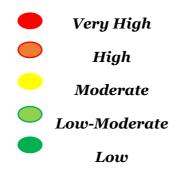
Progress of Ongoing & Planned Mitigations: This section reports on progress of risk mitigations in the quarter under review and is therefore likely to see the most updates quarter over quarter.

Additional Actions Needed: These are additional actions over and above the ones already underway or planned that we believe are

Residual Risk:

- i. Definition: Remaining risk assuming that existing controls and mitigating actions are working as expected.
- **ii. Ranking:** Each risk is mapped across a 5-point scale and rated "High," "Moderate-High," "Moderate," "Low-Moderate," or "Low" representing the severity of impact on Global Fund's mission and strategic objectives. Both the severity of impact and likelihood of occurrence are taken into consideration when ranking risks.

Risk Rankings 5-Point Scale



Target Risk: Expected level of residual risk following successful execution of mitigating actions.

Direction of Travel (of level of residual risk):



Increasing: Implies that either inherent risk is increasing or existing mitigating actions are not having the intended effect on the level of residual risk.

Steady: Inherent risk is static and additional mitigating actions need to be executed to decrease risk.

Decreasing: Implies either inherent risk is reducing and/or the 'Progress on Ongoing & Planned Mitigations' are substantially completed.

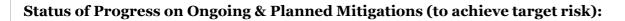
Risk Appetite:

Definition: Risk appetite is the amount of risk, on a broad level, that the Global Fund is willing to accept in pursuit of its strategic objectives. It reflects the Global Fund's risk management philosophy, and in turn influences its culture and operations. The 5-point scale used for residual risk, is also used to reflect risk appetite, or target risk level.

Global Fund's Ability to Mitigate:

Definition: Given the nature of the risk, the ability of existing controls and additional mitigating actions to influence (move the needle) the current risk level. A 5-point scale is used as follows:

- **5:** High ability to mitigate
- **4:** Significant ability to mitigate
- **3:** Moderate ability to mitigate
- **2:** Minor ability to mitigate
- **1:** Minimal ability to mitigate



Definition: Reports on the progress on risk mitigations under review in the quarter, and is therefore likely to see the most updates from one quarter to the next.

Majority of mitigating actions are on-track and progressing as expected

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Majority of mitigating actions are progressing and while there are some delays, these are not currently a concern

Majority of mitigating actions are not progressing as expected or face significant delays







ORR Risk Summary

Risk	Residual Risk Q2	Direction of Travel	Global Fund Ability to Mitigate
1. Program Quality and Efficiency	•	\rightarrow	**
2. Strategic Data Quality and Availability	<u> </u>		***
3. Procurement	<u> </u>	>	****
4. Supply Chain	•		***
5. Grant-Related Fraud & Fiduciary	<u> </u>		****
6. Financial Capacity and Reporting by Countries			***
7. Grant Oversight and Compliance (at PR Level)	<u> </u>		***
8. Quality of Health Products	<u> </u>		***
9. Human Rights and Gender Inequality	•		**
10. Transition	•		**
11. Drug and Insecticide Resistance	•		**
12. Internal Operations	•		****
13. Integrated Processes, Systems and Tools	<u> </u>		****
14. Risk Management and Internal Controls	•		****
15. Foreign Exchange			****
16. Governance and Oversight	<u> </u>		***
17. Organizational Culture	<u> </u>		****
18. Ethics	<u> </u>		***
19. Staff Health			****
20. Future Funding	<u> </u>		***
21. Privileges and Immunities			***
22. Reputation			***

				1. Program Qu	ality a	nd Efficiency				Residual Risk ¹	Risk Appetite ²
Risk Owner: TAP	IRT Cat	egory: Prog	rammatic & M&E	Direction of Tr	avel:				No change since last quarter		0
Risk Description Poor Quality of Programs	/Services fund	ed by the Glo	obal Fund, increase di	rug resistance and decre	ease ove	rall impact. Abser	nt adequate p	rogram qualit	ty, differentiated approaches to achieve impact in	Target Risk ²	GF Ability to Mitigate
diverse country contexts							it ado quato p	rogram quan	,,, and on a approaches to ache to impact hi	0	**
Risk Impact This can cause programs health products. Such ris									or adherence to regimens and irrational use of	Key P	artners
				Key Counti	ries/Co	mponents					US Government,
1 Nigeria 2 Tanzania 3 DRC 4 Mozambique 5 India	6 7 8 9 10	Zimbabwe Uganda Malawi Ethiopia Kenya	11 12 13 14 15	South Africa Zambia Myanmar Indonesia Côte d'Ivoire	16 17 18 19 20	Rwanda Pakistan Ghana Cameroon Bangladesh	21 22 23 24 25	Burkina Faso Sudan Viet Nam Ukraine Mali	Top 25 countries by allocation amount	Health Data Col minor abili	Drganization and laborative have a ty to mitigate and Efficiency risk •
1. Root	Causes		2. Current (Controls & Mitigation	ns		4. Pros	gress on Ong	going & Planned Mitigations	Status:	$\bigcirc \bigcirc \bigcirc$
 Inadequate use of da of quality & efficient Interventions and programs' context or of Strategic Plan priorities; Key interventions n populations most in n linked to achieving progra (4) Guidelines/tools to are not available or pre- reviewed; Programs do not adlor or WHO guidelines e.g. diagnostic tools; lab; ja- dientification, care the guidelines; Inadequate staff capa 3. Asst 	programs tar al context; targets not o not addres ot sufficiently ed of services am outcomes; review quality grams are no here to approve medicine for rocurement; p eatment or	geted and based on s National focused on s, or well- of services t routinely ed national mulations; orevention, adherence	efficiency through s (Impact Through Pa (2) Differentiated and diverse country con (3) Ongoing dissen practical guidance to Partnerships, include normative guideline (4) Aligning program (Program and Data Note) with overall F 1.1-3);	nination of best practice by Technical Advice and ling quality standards a	views npact in s and und rance licy g (refs.	development of (2) Scale up of Tanzania, and (3) High focus guidance on n grants; Other (1) Operationa assurance pro Collaborative (ongoing/initia (2) MECA/TA portfolio-level	rough Partner of the new Da Program Qu Togo; in TAP durir ormative guid d Policy Note viders, in par (HDC). Inclu ting; P working to	ta Üse and Ac ality and Effic ng country dia lelines to imp on Data and i tnership with des 20 nation expand and al	ng on key areas to improve Program Quality and Ef tion Framework; ciency activities based on pilots in Ghana, Senegal, I logue and grant making on the dissemination of be rove adoption of global quality standards for key in Program Quality implemented through LFA and ot WHO, GAVI, World Bank and USAID through the ial level Health Facility Assessments and/or Data Q lign Program Quality and Efficiency assurances wit	Xenya, Uganda, st practices and terventions in new her specialized Health Data uality Reviews	Timelines 2017 2017 2017 2017 2017 2017 - 2018
 Special studies or eval National or disease sp Program quality facili Population based sur Ommunity monitori Partner reviews; Programmatic spot cf Country/portfolio eval Thematic reviews; Thematic reviews; 	ecific reviews; ty assessments eys; g; ecks; luations;					improve progr (1) Support for	ing for data sy am quality an r expanded cl	nd resource al ient/patient-c	ng, including Request for Proposals for building and location in 15 High Impact countries, and creating a <u>5. Additional Actions Needed</u> centered services and monitoring thereof in the new ic mix in the new funding cycle.	pool of technical	2017 - 2018

				2. Strategic Data	a Qual	ity and Availabili	ty			Residual Risk ¹	Risk Appetite ²
Risk Owner: 7	AP IRT Cat	egory: Programmat	ic & M&E	Direction of	Travel:			Rema	pped to "Moderate" from "High" in last quarter	(High end of moderate)	0
Risk Descripti Poor quality and/o	on or unavailability of pro	ogram data due to w	eak in-country	and/or Global Fund	l data sy	rstems can hamper pr	ograms' abi	ility to reach t	heir targets.	Target Risk ²	GF Ability to Mitigate
Risk Impact Poor quality data o	an impede implemen	iters' management o	f quality progr	ams and the Global I	Fund's a	bility to assess their in	mpact. This	s can result in	flawed investment decisions in programs with	0	***
improper focus on	beneficiary populatio	ons and failure to ach	niève desired p	ublic health impact.		·				Key Pa	
				Key Cour	ntries/0	Components					th Organization, Joundation and
1 Nigeria 2 Tanzania 3 DRC 4 Mozambiqu 5 India	6 7 8 9 10	Zimbabwe Uganda Malawi Ethiopia Kenya	12 13 14	South Africa Zambia Myanmar Indonesia Côte d'Ivoire	16 17 18 19 20	Rwanda Pakistan Ghana Cameroon Bangladesh	21 22 23 24 25	Burkina Faso Sudan Viet Nam Ukraine Mali	Top 25 countries by allocation amount	moderate abil Strategic Dat	f Oslo have a ity to mitigate a Quality and ility risk.
1. R	oot Causes	2. Ci	ırrent Contr	ols & Mitigations			4. Progr	ess on Ongo	ing & Planned Mitigations	Status:	$\bigcirc \bigcirc \bigcirc$
levels affect the ac	nan and financial astructure; nent; vervision;	of in-countr financial res District Hee (DHIS2)/ot System rolle (2) Refocus: and efficien reviews (Im	pported invest y M&E system sources and im alth Informatic her Health Ma out and mainte ing on grants' cy through sys pact Through	ments for strengthei is, including human i frastructure, as well a on System 2 nagement Informati enance (ref. 1.5); program and data qu tematic in -country Partnership) (refs. 1. ata systems 2017 - 24	and as the on ality 1-5);	dialogue and grant t (2) Impact Through including developm (3) Operational Poli assurance providers Collaborative (HDC ongoing/initiating;	n key areas naking; Partnershi ent of the n cy Note on , in partner). Includes	p refocusing o ew Data Use a Data and Prog ship with WH 20 national le	stments issued and being used by Country Teams du on keys areas to improve program and data quality an and Action Framework; gram Quality implemented through LFAs and other (O, GAVI, World Bank and USAID through the Heal evel Health Facility Assessments and/or Data Quality is & Technical Adivce and Partnerships (MECA/TAF	nd efficiencies specialized h Data y Reviews	Timelines 2017 2017 2017-2018 2017-2018
(1) Special studies	ssurances or evaluations;	(Program ar with overall (5) Tracking on HMIS co	nd Data Qualit Risk Assuranc	data quality assuran y Operational Policy se Planning (refs. 1.4 l Fund Strategy for K PI 5 on data	Note) -5);	Other (1) GF M&E Dashbo RSSH Dashboard;	ard to track	c country M&l ed and biweek	urances within comprehensive portfolio-level assura E system performance being populated for integration ly clinics for individualized Performance Framework	on into the overall	2017 - 2018 Q3 2017
(2) Data quality fa (3) Review of data (community/facili (4) Partner review	systems ty);	(1) Perform. updated in o Guidance re	at: ance Framewo close collabora	rk Modular Framew tion with partners. ninated to Public Hea 1.4-5);		Grant Operating Sys	stem;		quality assured and verified for full migration of all s before submission to Grant Approvals Committee.	existing grants to	Q3 - Q4 2017 Q3 2017
(5) Data quality sp	ıt checks.	project to in grant data f	nprove interna or decision ma assurance of P	n Management (AIM l availability of quali king (ref. 1.5); erformance Framewo	ty		for data sy ality and r	esource alloca	g, including Request for Proposals for building analy tion in 15 High Impact countries, and creating a poo		2017-2018
		(, "		5. Additional Actions Needed		
						Aligning partners are filled in after approval			data through mainstreamed ITP approach.		

				3. Procure	ment					Residual Risk ¹	Risk Appetite ²
Risk Owner: Sourcing	IRT Catego	ory: Health Product Mar	agement & Supply	Chain	Direction of 7	Fravel:	-		No change since last quarter	<u> </u>	0
									otentially leading to stock out, Treatment Disruption", a risk	Target Risk ²	GF Ability to Mitigate
potentially related to Proce			arement represent	, a significant i	lisk in the Global I and	portion	, with 41/0 01	grunto runk	reaction of the property of the providence of th	0	****
efficient processes. While a Procurement Agents); the	bout 60% of the pro hallenges of poorly 1	curement are centralized managed procurement p	l through the Poole rocesses linked to o	ed Procuremer quantification;	t Mechanism and the planning; fraud that n	rest is thi egatively	ough a wide impacts on t	range of procu the supply cha	equirements with robust and cost irement channels (National systems or in creating risks of stock-outs; eased mortality and morbidity from	Key P	artners
			Key	Countries/Co	omponents						
1 Nigeria 2 India 3 Mozambique 4 Ethiopia	5 Ugand 6 Tanzar 7 Kenya 8 DRC	nia 10	Malawi Ghana Zambia Cameroon	13 14 15 16	Myanmar Ukraine Burkina Faso Côte d'Ivoire	17 18 19 20	Viet Nam Sudan Guinea Pakistan	Top 20	countries by commodity budget	US and France technical assis	g the World Bank, e provide focused stance related to lity procurement.
1. Root Cau	ses	2. Current Control	s & Mitigations		4. Pro	gress of	n Ongoing &	& Planned M	litigations	Status:	
 Inadequate human rei lata systems for quantific and demand planning; Limited product mar buyers to ensure value for Lengthy procurement governance-related challe non-cost effective practices/outcomes; Inadequate focus on procurement beyond price to poor supplier performatel deliveries; Individual procur necessarily provide leverage for Money. Assurar 	tion / forecasting tet knowledge by noney; processes and /or nges leading to procurement other elements of rs, often resulting nce and delays in ement do not e to ensure Value	 Pooled Procurement aggregates order volum participating grants to n prices and delivery com- manufacturers for Prin PPM is used for an estin Global Fund annual spe products (refs. 1.1-5); (2) wambo.org - the oni- platform that provides: negotiated prices and c countries - Pooled Prod Mechanism for core pro 5); (3) Rapid Supply Mech- responds to emergency countries and addresses situations (ref. 1.3); (4) Pre-qualification of and health products (ref. (5) Increased focus by t 	es on behalf of negotiate best ditions with cipal Recipients. mated 60% of ending on health line procurement access to onditions to curement oducts (refs 1.1- anism that needs of s stock out pharmaceuticals f. 1.2);	 (1) Board ap (2) Wambo. domestic fin Other (1) See Supp Planned Strategic I (1) Using Poprocuremen (2) Extendir grants; (3) Extendir Procuremen Other 	ancing (phase 1b). ly Chain Risk (#4). nitiative(s) oled Procurement Meet t; ag negotiated prices an ag and measuring Pool t Mechanism countries	oled Proc chanism i d conditi ed Procu s.	eurement Mee negotiated/re ons to non-Pe rement Mech	eference prices Pooled Procure nanism KPIs (c	actions (Phase 1A) and providing access s as benchmark for non-Pooled Procuren ment Mehcanism countries / entities usi cost savings; On-time In-Full etc.) to non g between Supply Chain and Sourcing;	nent Mechanism ng Global Fund	Timelines 2016 onwards Ongoing Ongoing Q4 2017 (1-3)
 Price and Quality Repoverifications on prices; Pooled Procurement M reference pricing and KPIs 	echanism	quantification, demand management (ref. 1.1).	planning and		nent Capacity Building roduct Management b			. 0	•••		(1-3)
								5. Addition	al Actions Needed		

					4. Supply C	hain					Residual Risk ¹	Risk Appetite
Risk Owner: GMD	IRT C	ategory: H	lealth Product Man	agement & Sup	ply Chain	Direction of T	'ravel:			No change since last quarter		\bigcirc
									ation system	ns & capacity. Supply chain	Target Risk ²	GF Ability to Mitigate
nanagement represents t	he most prevale	ent risk in t	he Global Fund's p	ortfolio with 41	% of grants ranking	ng "Treatment Disrup	ion" as a	High Risk.			\bigcirc	***
	uption and poor	r quality of	f services, increased							e, insecure and poorly managed, which n lead to reduced impact of Global	Key Pa	nrtners
				Ke	y Countries/Co	mponents					Agencies of the	
1 Nigeria	5	Uganda	9	Malawi	13	Myanmar	17	Viet Nam	_		World Bank, Organization a	World Health nd Interagency
2 India		Tanzania	10	Ghana	14	Ukraine	18	Sudan	Ton 20	o countries by commodity budget	Supply Chain Gro ability to mitig	up have a min
3 Mozambique		Kenya	11	Zambia	15	Burkina Faso	19	Guinea				sk.
4 Ethiopia	8	DRC	12	Cameroon	16	Côte d'Ivoire	20	Pakistan				
1. Root	Causes		2. Current	Controls & M	litigations		4. Progr	ess on Ong	oing & Pla	anned Mitigations	Status:	\bigcirc
) Insufficiently traine			(1) (1)	(Ongoing						Timelines
eporting and monitoring different levels of su gistics management cap	pply chain; ina		 Grant support strengthening acti address issues relation for health, storage 	ivities in key co ated to data, hu	untries to man resources	Strategic Initiativ (1) Rollout of Suppl portfolio		Department s	strategy aim	ned at improving supply chain manageme	ent across the	2017-18
) Lack of reliable cons IS for reconciliation I attent information for mantification	between invent	ory and	training, commod national investme quality control & c	ents for drugs, s	upply chain,	(2) Implementation countries in 2017;	of target	ed supply ch	ain diagnos	stics, with the goal of completing in-coun	try diagnostics in 12	Q4 2017
3) Poor oversight and co			(2) Systematic an Secretariat of fore	cast and quanti	fication for High	(3) Development of Committee-approve				rocesses to allow for baseline measureme PIs;	ents of Steering	Q3 2017
ey products at differer hain system 4) Inadequate facility			Impact and high p management risk (3) Cooperation w	countries (ref.	1.1-2);					itiatives, including supply chain innovati tments; engagement to expand supply ch		Q4 2017-202
ogistics or vehicles for s t central or peripheral le	storage and dist		level, with focus o development of na plans (refs. 1.1, 1.5	n High Impact ational forecast	countries for the	(5) Catalytic fundin years & Tanzania ar				ent capacity building. 19 countries ident 17.	ified for work over 3	Q3 2017-202
5) Lack of coordination nvolved in or sup nanagement cycle of heal	oporting the		, .	-		Other (1) Coordination me	chanism	or national	forecasting	committee in place in all High Impact co	ountries;	2017-2020
	F					(2) Supply Chain co	llaboratio	on with Inter	ragency Sup	oply Chain Group (ISG), with focus on de	mand forecasting;	Q3 2017
3. Assu	rances					(3) Health product	nanagem	nent budgetin	ng/supply p	lanning tool in development;		Q4 2017
						(4) Strengthen the e	xecution	of supply ch	ain assurar	nce activities based on the learnings from	Phase 1 rollout;	Q2-Q3 201
) In-country supply char ountries in 2017;	in diagnostics ir	1 12				(5) 9 supply chain d	ata & fina	ance initiativ	res in 2018.			
2) Initial selection of KPI egarding supply chain st	rengthening effo	orts				Planned						2018
pproved by the relevant	-					Strategic Initiation (1) Risk and assurant		work for lab	services an	nd diagnostic products under developmen	nt;	
3) 14 supply chain assura 1 Supply Chain Assuranc		utlined								viders in lab assessment, product availab	,	2018
 New assurance activiti Mapping medica 						survey for selected l				· · · · · · ·	-	2017-2018
mapping ii. Market surveill									5.	Additional Actions Needed		
diversion or leaka						Mechanism to ensu	re timelv	implementa	tion of in-c	ountry diagnostics, including needed esc	alation if necessarv.	

				5. Gran	t-Related Fraud	and Fiduciary				Residual Risk ¹	Risk Appetite ²
Risk Owner: FISA	IRT Ca	tegory: Fi	nancial & Fiduciary F	lisks	Direction of T	'ravel:	•		No change since last quarter	•	\bigcirc
Risk Description Misuse of funds due to wro	ngdoing and ir	nadequate	financial/fiduciary co	ntrol. includ	ng for procurement	practices.				Target Risk ²	GF Ability to Mitigate
Risk Impact	0 0		, ,			-	_			\bigcirc	****
Fraud and weaknesses in in well as potentially cascadin			ents can result in fina	ncial losses t	hat affect value for n	noney and lead to in	nadequate	program cov	erage, execution and impact against the diseases, as	Key Pa	artners
				k	ey Countries/Cor	nponents					
1 Nigeria 2 Tanzania 3 DRC 4 Mozambique 5 India	6 7 8 9 10	Zimbabwe Uganda Malawi Ethiopia Kenya	11 12 13 14 15	South Africa Zambia Myanmar Indonesia Côte d'Ivoire	16 17 18 19 20	Rwanda Pakistan Ghana Cameroon Bangladesh	21 22 23 24 25	Burkina Faso Sudan Viet Nam Ukraine Mali	Top 25 countries by allocation amount	N	I/A
1. Root C	1. Root Causes 2. Current Controls & Mitigations 4. Progress on Ongoing & Planned Mitigations								going & Planned Mitigations	Status:	
 (1) Questionable budget; practivities; (2) Weak PR management; (3) Weaknesses in the PR i 			 (1) Development at financial assurance 1.1-6); (2) Strengthening of over procurement a 	plans across	ontrols including	Department and	FISA;		ew cross-cutting Agreed Management Actions jointly i ial assurance plans by Finance Specialists;	monitored by Risk	Timelines 2017 2017
framework; (4) Weak bank and cash ma (5) Weak SR oversight;	anagement pro	ocedures;	during grant imple (3) Mandating use countries (refs 1.1-6	of Fiduciary		controls: selectio	on and con March to J	tracting of reg une 2017; full	rms of Reference emphasizing risk based assessment gional auditors in progress; roll out of pilots in South l roll out is planned for grants in Core and High impa	east Asia, MENA	Q3 2017
(6) Weak ethical environm	ent.		(4) Use of Pooled P outsourcing of proo fiscal agents (ref. 1.	curement to p		(4) Development Executive Grant			ines for implementers drafted and awaiting expected ee.	approval from	Q3 2017
			(5) Financial Contr	ol Environm	ent Review pilot	Planned					
3. Assur	ances		recommendations	(refs. 1.1-6).		., 1			nment Review recommendations in high-risk grant po	,	Q3-Q4 2017
(1) Financial Risk and Assu Impact and Core countries country-level Comprehensi	integrated into) –					ncial moni		Risk Guidelines to assess fraud risk in 20 high-risk con oard for systematic oversight of financial control effec		Q3 2017 Q4 2017
(2) Fiduciary Agent reports	;					(4) Develop and	implemen	t new Integrit	ty Due Diligence policy and framework for selection a	nd ongoing	Q4 2017
(3) LFA spot checks.									5. Additional Actions Needed		
¹ Residual Risk level may char	ige as we do add	itional botto	om up work; ² Risk App	etite and Targ	et Risk level will be fill	ed in after approval b	oy the Boar	1			

			6.	Financial Cap	acity & Rep	oorting by Cou	ntries			Residual Risk ¹	Risk Appetite
Risk Owner: FISA	IRT Cat	egory: Fin	ancial & Fiduciary R	lisks	Direction of 7	Fravel:			No change since last quarter		0
Risk Description	avad an ina dagua	toly own o	nted financial record	la hu DDa an CDa di	10 to incdoous	to financial man	a com o nt quat			Target Risk ²	GF Ability to Mitigate
ncomplete, incorrect, del	ayed or inadequa	itely suppo	rted financial record	is by PKs or SKs di	ie to inadequa	ite financial mana	igeme nt syst	ems.		\bigcirc	***
tisk Impact Iisallocation of resources	; reduced grant o	coverage ar	nd performance; inc	reased morbidity a	nd mortality.					Key P	artners
				Key Co	ountries/Co	mponents				The World	Bank and US
1 Nigeria 2 Tanzania 3 DRC 4 Mozambique 5 India	7 8 9	Zimbabwe Uganda Malawi Ethiopia Kenya	11 12 13 14 15	South Africa Zambia Myanmar Indonesia Côte d'Ivoire	16 17 18 19 20	Rwanda Pakistan Ghana Cameroon Bangladesh	21 22 23 24 25	Burkina Faso Sudan Viet Nam Ukraine Mali	Top 25 countries by allocation amount	Government of moderate abi the risk of poor	agencies have a lity to mitigat
1. Root	Causes		2. Current	Controls & Mitiş	gations		4. Prog	gress on Ong	going & Planned Mitigations	Status:	
1) Inadequate human res 2) Weak or nonexistent fi 2) stems.	1 .,	nent	 Development ar financial assurance 1.1-2); Follow-up of gr plans by Country T Co-link initiativ financial managem place for 13 countri Enhanced track (refs. 1.1-2). 	plans across the p ant-level financial eam finance office re action plans for : ent capacity of imp ies (refs. 1.1-2);	ortfolio (refs. assurance rs (refs. 1.1-2) strengthening olementers in	Strategic Ini 1) Execution o d'Ivoire, Seneg include Burun (2) Technical e financial capac Other (1) Financial R Plans being ini	f capacity-bu ;al and Burki; di, Guinea Co evaluation an- city-building lisk and Assu tegrated into	na Faso). Cour onakry, DRC, (d selection of action plans c rance Plans fo the Comprehe	plans under Co-link initiative in 9 countries. 3 pilots ntries targeted for capacity strengthening in the sec Guinea Bissau, Niger, Mauritania, Tunisia and Gab service-providers to provide support to implemente ompleted in July 2017. or High Impact and Core countries completed; Finar ensive Assurance Plans performed at country level; ries to strengthen implementers' financial managem	ond half of 2017 n; ers for execution of ncial Assurance	Q3-Q4 2017 Q3 2017 2017-2018 2017-2018
3. Assur) Financial assurance pla 2) Fiduciary Agent report 3) LFA spot checks.	ans;					implementer le (2) Strengthen of Reference (1) (3) Regional A accreditation/ (4) Nine count regular capacit	evel; ing external a Financial Con uditor assign selection; ry portfolios ty building to	audit quality t atrol Environn ments, collabo planned unde be completed	urd for systematic oversight of financial control effec o include assessment of PR internal control and cor nent Review agreed management action); oration with the World Bank on external audit firm r Co-Link for 2017 as per targets under Strategic OI by 31 Dec 2017; 3 targeted for initiation under pub Dec 2017 and for completion by 31 Dec 2018).	npliance with Terms assessment and/or ojective-2(g) (i.e. 6	2017 2017 2017 Dec 2018
									5. Additional Actions Needed		

			7	. Grant Oversight	& Comp	liance (at PR Lev	vel)			Residual Risk ¹	Risk Appetite ²
Risk Owner: GMD		IRT Catego	ory: Governance, Ov	ersight & Managemen	t 1	Direction of Travel:	•		No change since last quarter	\bigcirc	\bigcirc
Risk Description Inadequate PR oversight of g	rant progra	ums and non	-compliance with Gl	obal Fund requireme	nts due to in	nadequate internal g	overnance	e structures, ir	nternal control systems and capacity.	Target Risk ²	GF Ability to Mitigate
Risk Impact	1 0		1	1		1 0		,		\bigcirc	***
Poor grant oversight and con	npliance by	principal re	ciepints can result in	reduced impact again	nst the dise	ases, poor value for r	money, fra	ud and reputa	ational damage to the Global Fund.		
										Key Pa	urtners
				Key Cou	ntries/Co	omponents					
				Key Cou		mponents				Bilateral donors si	ush as the US and
1 Nigeria 2 Tanzania 3 DRC 4 Mozambique	6 7 8 9	Zimbabwe Uganda Malawi Ethiopia	11 12 13 14	South Africa Zambia Myanmar Indonesia	16 17 18 19	Rwanda Pakistan Ghana Cameroon	21 22 23 24	Burkina Faso Sudan Viet Nam Ukraine	Top 25 countries by allocation amount	France provide for assistanc	ocused technical
5 India	10	Kenya	15	Côte d'Ivoire	20	Bangladesh	25	Mali			
1. Root Ca	uses		2. Current	Controls & Mitigat	ions		4. Pro	gress on Ong	going & Planned Mitigations	Status:	
(1) Inadequate PR manageme (2) Weak human resource ca (3) Weak internal controls at	pacity;	-	and Grant Approva meet minimum sta (2) Implementatio conducted for all n (3) Grant making a capacity issues priv (3) Financial Risk	ior to Technical Revie als Committee approv undards (refs. 1.1-2); n arrangement mappi ew grants (ref. 1.1); actions specifically to or to grant signing (re and Assurance Plans : ountries completed (r	al that ng address f 1.2); for High	the grant lifecycle Fund oversight & (2) Streamlined r (3) Comprehensiv Planned (1) Selection of Pl	e; strength complian isk oversi ve assurar Rs/impler	ened assurance ce monitoring ght and risk to ace plans being nenters who n	eased for differentiated grant management and risk n ces with additional resources made available allowing for high impact and risk countries and high risk area ools at the Secretariat level to ensure better implemen g developed for High Impact and Risk portfolios. neet Global Fund minimum standards for internal co n of initiatives aimed at improving implementer capa	; improved Global is; itation capacity; ntrols and capacity	Timelines 2017-2022 (1-3)
3. Assurat	nces						on of stre	ngthened risk	and assurance plans for High Impact and Risk portfo	olios;	Q3-Q4 2017
(1) Capacity Assessment Tool						(3) Improved mai almost 75% comp ongoing).	nagement bleted; dev	of financial as relopment of fi	ssurance providers including financial assurance asse inancial assurance performance assessment metrics a	essment tools and cost model	Q3-Q4 2017 Q3-Q4 2017
(2) LFA spot checks;(3) Programmatic assurance	options								5. Additional Actions Needed		
(3) i rogrammatic assurance	options.										
¹ Residual Risk level may change	e as we do ad	lditional botto	om up work; ² Risk App	oetite and Target Risk le	vel will be fil	lled in after approval b	y the Boar	d			

New Partner New Partner New Partner Target Rud CR Abling Mights K Inspect Constraints Constanting to the target for Constants				8	Quality of Hea	lth Products				Residual Risk ¹	Risk Appetite ²
A Description Impact of a bioland and quilty health products as a result of wax supply chain, non-addrenees to Global Fund Quality Assurance polices, diversion and commerfeit drugs. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function in the impact of Global Fund investments. Impact of a biolar function investments. <td< th=""><th>Risk Owner: GMD</th><th>IR</th><th>Г Category:</th><th>Health Product Management & S</th><th>upply Chain</th><th>Direction of Travel:</th><th></th><th></th><th>No change since last quarter</th><th>\bigcirc</th><th>\bigcirc</th></td<>	Risk Owner: GMD	IR	Г Category:	Health Product Management & S	upply Chain	Direction of Travel:			No change since last quarter	\bigcirc	\bigcirc
Name: Name: <th< td=""><td>Risk Description</td><td>ndard quailty</td><td>health prod</td><td>lucts as a result of weak supply c</td><td>ains, non-adherenc</td><td>e to Global Fund Quality Assu</td><td>ance polices, d</td><td>liversion and</td><td>d counterfeit drugs.</td><td>Target Risk²</td><td>GF Ability to Mitigate</td></th<>	Risk Description	ndard quailty	health prod	lucts as a result of weak supply c	ains, non-adherenc	e to Global Fund Quality Assu	ance polices, d	liversion and	d counterfeit drugs.	Target Risk ²	GF Ability to Mitigate
S. Assurances 0) Clobal Fund Quality Assurance policies for partment of additional products (ref. 1.); 0) Clobal Fund Quality Assurance (ref. 1.); 0) Clobal Fund Quality Assurance (ref. 1.); 0) Clobal Fund Quality Assurance (ref. 1.); 0) Clobal Fund Classify Advancement and Training 0) Clobal Fund fund quality Assurance (ref. 1.); 0) Clobal Fund Classify Advancement and Training 0) Clobal Fund Classify Clas	Risk Impact									\bigcirc	***
Negrin 5 Uganda 9 Malawi 11 Maname 12 Warmare 12 Viet Name 13 Status Top 20 countries by commodity budgt Organization and GAV have minor to moderate ability in the same of the budge of the budg	oor health coutcomes; red	luction in the	e impact of G	lobal Fund investments.						Key P	artners
Netwit 5 Ugads 9 Malawi 13 Mammin 12 Viet Name Top countries by commodity budget Organization and GAV haves Moramitique 7 Kmmin 11 Zamisa 15 Betwins Faso 19 Gaines Top countries by commodity budget Description Description Description Description Status: Description Description Status: Description Description Status: Description Descrint </td <td></td> <td></td> <td></td> <td></td> <td>Key Countries/C</td> <td>omponents</td> <td></td> <td></td> <td></td> <td></td> <td></td>					Key Countries/C	omponents					
Orgoing Constraints Contreast Contreast <t< td=""><td>2 India 3 Mozambique</td><td>5 6 7 8</td><td>Tanzania Kenya</td><td>10 Ghana 11 Zambia</td><td>14 15</td><td>Ukraine 18 Burkina Faso 19</td><td>Sudan Guinea</td><td>Top 20</td><td>o countries by commodity budget</td><td>Organization of minor to mod mitigate health</td><td>und GAVI have a erate ability te h product quailit</td></t<>	2 India 3 Mozambique	5 6 7 8	Tanzania Kenya	10 Ghana 11 Zambia	14 15	Ukraine 18 Burkina Faso 19	Sudan Guinea	Top 20	o countries by commodity budget	Organization of minor to mod mitigate health	und GAVI have a erate ability t e h product quailit
noncorrenent of substandard health products: (a) Global Fund Quality Assurance policies for pharmaceutical and diagnostic products (revised nor fle latter approved at the 3/1 Board meeting), including specific pre-shipment inspection and testing to prevent procurement of substandard products (ref. 1.1); Ongoing (a) Rollout of Supply Chain Department strategy aimed at improving supply chain management across the portfolio 2017-10 (a) Grant requirements for Quality (a) Grant requirements for Quality control phas to monitor product quality trought the in connity supply chain Assurance/Quality Control phas to monitor product quality to control for implementers and national labs in Africa (ref.1.1); (a) Targeted RSSH investments for strengthening to secure and control products fore, i.a., including medicines, diagnostics and vector control products, including medicines, diagnostics and vector contro	1. Root C	auses		2. Current Controls	Mitigations	4. Pro	gress on Ong	going & Pla	anned Mitigations	Status:	
Africa (ref.1.1); 2017-202 3. Assurances (3) Targeted RSSH investments for strengthening countries' pharmacovigilance systems (ref. 1.2); Planned (1) US \$12 million in catalytic funding will be invested to strengthen the WHO prequalification program for health products, including medicines, diagnostics and vector control products. 2017-202 ply chain assurance options. (4) Many grants support supply chain strengthening to secure and control products flows, in particular to combat counterfeit (ref. 1.3). 5. Additional Actions Needed 2017-202	-	-	products:	pharmaceutical and diagnosti version of the latter approved meeting), including specific p inspection and testing to prev substandard products (ref. 1.1 (2) Grant requirements for Qu Assurance/Quality Control pla product quality throughout th chain. MoU signed with the Cc Pharmaceutical Advancement (CepAT) based in Ghana for fa technical assistance in quality	e products (revised at the 37th Board e-shipment ent procurement of l; ality ins to monitor in country supply enter for and Training cilitating access to assurance/quality	 (1) Rollout of Supply Chain portfolio (2) Supply Chain Assurance related to health product qu (3) Initial list of countries in diagnostics in 12 to 20 court (4) Strengthened compliane systematic country Quality (5) Ongoing engagement w 	Framework b ality; lentified for ta tries in 2017; e monitoring o Assurance plan th internal and	eing develop rgeted supp of Supplier C n reviews wi d external st	ped to better mitigate supply chain risks, ly chain diagnostics, with the goal of com Quality and Product Quality Assurance po th additional quality assurance capacity a akeholders regarding counterfeit health p	including risks pleting In -Country plicies and ti the Secretariat;	
5. Additional Actions Needed	Ť			 Africa (ref.1.1); (3) Targeted RSSH investmen countries' pharmacovigilance (4) Many grants support supp strengthening to secure and co 	ts for strengthening systems (ref. 1.2); ly chain ntrol products flows	Planned (1) US \$12 million in cataly products, including medicin	ic funding will	l be invested	to strengthen the WHO prequalification	program for health	2017-2022 2017-2020
				in particular to combat counte	rfeit (ref. 1.3).			5 • 4	Additional Actions Needed		
Targeted RSSH investments for establishment of in-country accredited Quality Control lab and strengthened post marketing surveillance.							s for establishi	ment of in-c	ountry accredited Quality Control lab and	l strengthened post	marketing

					9. Human Rights	s and Ge	ender Inequal	ity					Residual Risk ¹	Risk Appetite ²
Ris	k Owner: CRG	IRT Cat	egory: Prog	rammatic & M&E	Direction of T	Travel:				No ch	ange since last quar	ter		0
	Description 1 rights- and gender	-related barri	ers, includir	ng stigma and discrim	ination, limit access to	health set	rvices for key and	vulnerable j	opulation	s.			Target Risk²	GF Ability to Mitigate
	mpact												0	**
					sues can result in failu educe the impact of gra			scrive 3, but r	nore proac	ny also Strategi	c Ojective 1, inasmu	cn as they reduce	Key Pa	artners
					Key Coun	tries/Coi	mponents							
1 2 3 4 5	Lesotho Tanzania DRC Mozambique Swaziland	6 7 8 9	Zimbabwe Uganda Malawi Botswana Kenya	11 12 13 14	South Africa Zambia Namibia Indonesia Côte d'Ivoire	16 17 18 19 20	Honduras Jamaica Ghana Cameroon Senegal	21 22 23 24 25	Benin Nepal Philippines Ukraine Kyrgyzstar	27 9	l'unisia Sierra Leone	Cohort of HR & AGYW focus countries - bolded for 6 countries where there is overlap	UNAIDS, UNDP a advocacy	
	1. Root C	Causes		2. Current	Controls & Mitigatio	ons			7.07	Ongoing & Pla	anned Mitigation	S	Status:	000
 (2) Inal societal (3) Arm (4) Lac reduce barriers (5) Lim 	ned conflict; ck of data for evide human rights-rela s; ited partner capacit	of countries	rograms to der-related	rights and gender e gender and malaris inform grant makin (2) Sex and age dat into performance fr (3) Specific human developed for Chall (refs. 1.1-5);	a disaggregations integ rameworks (ref. 1.4); rights and gender guid lenging Operating Envi	hts and nder grated lance ironments	services and 13 countries) (2) Baseline st (5) Private sect women activities (1) CRG Advise (2) Short CRG	apport project countries to udies of hum for campaign es ers providing trainings for	scale up p an rights-r to raise fu support as country te	rograms for ad- elated barriers nds for Prioriti s other countrie ams;	olescent girls and yo to services underwa zed Above Allocatio es have been develop	uce human rights-rel ung women (with ov y or scheduled for 20 n Request adolescent ping their application: her focused discussio	erlap in 6 countries; girls and young s;	Timelines 2017-2020 Q3 2017- Q2 2018 2017-2020 Q1-Q4 2017 Q3 - Q4 2017
other st	upport.			focused technical a (5) Comprehensive gender equality in p	ociety platforms availa ssistance (refs. 1.1-5). accountability framew place (refs. 1.1-2); nitiative 2017-2019 (re	ork on	Planned Strategic Ini	is for technic t iative nt and imple	al partner	MoUs are being of 5-year plan t		s to reduce human rig	hts-related	Q2 2017 - Q2 2018 Q3/Q4 2017 Q3 2017- 2022
	3. Assur										ed support plan for s le the intense suppo	caling up programs to rt efforts;	o reduce human	Q3 2017
girls an (2) Ann	CG Evaluation on pr d women; nual report against a rork on gender;	0					and TB and ma Other	ilaria;				nd malaria for gender	and human rights	Q3 2017
(3) Reg 9;	ular reporting on pr	ogress on KP	Is 5, 8 and								ging Operating Envi	ronments; continued trainings of	on gender	Q3 2017 - Q4 2018
(4) LFA	A spot checks.						equality;							tbd
											Additional Action	s Needed		
											rease knolwedge an and gender-related	d skills across the Se barriers to services;	cretariat to adequate	ely support
							_ · · ·	-			pport capacity-build n assurance option.	ing of implementers;		
¹ Residu	al Risk level may char	nge as we do ad	lditional bott	om up work; ²Risk App	etite and Target Risk leve	el will be fill	led in after approv	al by the Board	1					

	10. Transi	tion		Residual Risk ¹	Risk Appetite ²					
Risk Owner: GMD IRT Cates	ory: Cross-cutting Direction of Travel:		No change since last quarter		\bigcirc					
Risk Description Countries are unable to sustain impact as the	y transition towards full domestic financing and program	implementation of the national	disease response without further Global Fund support.	Target Risk ²	GF Ability to Mitigate					
Risk Impact			· · · · ·	\bigcirc	**					
global and national targets, a reduction in the		products and commodities, and	, inability to continue to scale service provision in line with l limited ability of existing national civil society to sustain no longer eligible for Global Fund support.	Key Pa	rtners					
	Key Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Countries/Co	omponents								
considered "Transition Preparedness" priorit dollars of the Global Fund allocation. In addi	ies. This is a cohort of approximately 81 disease componen	ts (including those rec eiving tr dness cohort are proj ected to f	come Countries (LMIC) with low or moderate disease burden are ransition funding), representing approximately .835 billion ully transition from Global Fund financing during or prior to the 19 allocation cycle.	The World Bank of Organization ability to miti ris	have a minor gate transition					
1. Root Causes	2. Current Controls & Mitigations	4. Prog	ress on Ongoing & Planned Mitigations	Status:						
1. Root Causes2. Current Controls & Mitigations4. Progress on Ongoing & Planned MitigationsStatus:(1) Continued epidemiological challenges and programmatic gaps in the national disease responses;(1) Transition Planning Including: a) Publication of Transition Readiness Assessment tool and continued implementation of tassessments; d) development of a "social contracting" specific tool to assess response;Ongoing(2) Dependence on Global Fund financing for two interventions of the national disease response;(1) Transition Readiness Assessment tool and continued implementation of assessments; d) development of a "social contracting" specific tool to assess ustainability of civil society supported service implementation (refs 1.3, 1.5);Strategic Initiative(s) (1) Strategic Initiative financing secured, and consultants retained. Launch of trainings to sceretariat staff in 2017 to approximately 80% of UMIC and LMIC with low/moderate disease burden Fund Portfolio Managers and 50% of overall Country Teams; (3) Unpredictable and challenging environment for global health financing; (4) Political, economic, legal challenges at the country level, resulting in limited financing of key interventions without doror support; (5) Lack of advanced planning for transition.(2) Secretariat Organization on STC Under the STC Matrix Team, with project lead and 5 embedded transition sto performance objectives of GMD staff and identification of STC as a GMD Divisional Priority for 2017 (ref 1.5);(3) Unpredictable and challenges or planned; (7) Strategic Initiative support for civil society and governments to ensure that services related to community, ripsts, and gender continue to be provided in performance objectives of GMD staff and identification of STC as a GMD Divisional Priority fo										
3. Assurances (1) Transition Readiness Assessments; (2) Co-financing compliance monitoring; (3) TERG post-transition evaluations.	(3) Strengthened Operational Guidance on STC Including: a) updated Operational Policy Note on co- financing; b) strengthened Grant Approvals Committee review of STC; c) updated Access to Funding process to strengthen transition focus, including transition tailored review application (ref 1.3);	funding for health;	llaboration for joint health financing strategies and engagement to f specific roles and responsibilities of STC Matrix Team to ensure ac		2017					
	(4) Co-financing incentive amounts set for GF portfolio for 2017-2019 allocation period (ref. 1.2);		5. Additional Actions Needed							
	(5) Capacity 1) Strategic Information and Sustainable Financing experts added to the TRP to increase focus of review on domestic financing, health financing, sustainablity, and transition; 2) Launched training initiative for Secretariat Staff (refs. 1,3-4).	particularly in the area of h (2) Strengthened focus on s	erships including with both established and new partners, with a pa ealth financing, domestic financing, and innovative financing; trategies for alleviating procurement challenges in contexts where g essential health products, medicines, and commodities;		, , ,					

			11. Drug and Insecticio	le Resistance		Residual Risk ¹	Risk Appetite ²
Risk Owner: TAP	IRT Category: Prog	rammatic & M&E	Direction of Travel:		No change since last quarter		\bigcirc
					consistent treatment regimens, low quality pharmaceuticals, and	Target Risk²	GF Ability to Mitigate
					ontrol is threatened by the increasing development of resistance to pyrethroids, is now widespread.	\bigcirc	**
					blios, negatively impacting Global Fund mission and bools, which have been critical in interrupting transmission.	Key Pa	artners
			Key Countries/Con	ponents		The World Ban	k, WHO and US
			TBD			Government a minor ability risk of Drug a	gencies have a to mitigate the and Insecticide tance .
1. Root Cau	ises	2. Current C	ontrols & Mitigations	4. Prog	ress on Ongoing & Planned Mitigations	Status:	•OC
 (1) Insufficient financing; (2) Inadequate surveillance; (3) Inadequate diagnostics; (4) Inadequate vector control; (5) Poor quality health product (6) Instability of drug supply a use of drugs; (7) Undertrained public health 3. Assuran	zts; and inappropriate h workers.	 finished pharmaceut (ref. 1.3, 1.4); (2) WHO normative support for impleme guidelines for Drug I 1.2, 1.5); (3) Regional Artemis in the Greater Mekon (4) Global Fund supp to Impact (I21) Initia for developing and d control products (refi (5) Impact through I 	Partnership initiative	regimens for multidrug-resi TB high burden countries (n funded TB programs) (ref. 1. (2) Malaria: ongoing focus o 1.6); (3) HIV: New Global Action Global Fund and PEPFAR (4) Global Fund support for (including strategic initiative (5) Coordinated work with V identified, contributed to de improve quality and efficient	for implementation of new WHO guidelines for drug-resistance T. stant TB (MDR-TB) and new drugs); updated Green Light Commit ew simplified approach to Green Light Committee payments from 4, 1.5, 1.7); n optimization of vector control interventions and targeted RSSH i Plan for drug resistant HIV (2017-21) developed in collboration w scaled up rapid testing and detection of malaria and TB/MDR-TB e and catalytic investments to specifically find missing cases) (ref. 1 VHO and other partners on Global Action Plan for drug resistant H velopment of Global Action Plan, updated information note, suppo cy of programs, etc. (ref. 1.1 - 1.5).	tee MoU for MDR- Global Fund investments (ref ith CDC, the case finding 2, 1.3) ; IIV - focal point	Timelines 2017-2020 (1-4)
 (1) Supply chain diagnostics in countries to gain insight into s supply; (2) LFA spot checks; (3) Technical partner reports; 	stability of drug		quality and efficiency)	(ref. 1.3, 1.4, 1.7)	12 prioritized countries may assess issues related to root causes un c Funding allocated for a Strategic Initiative to support market ent		Q4 2017 Q4 2017
(4) Drug resistance surveillan	ce;				5. Additional Actions Needed		
(5) Five in-country deep-dives country supply chain segment							
Residual Risk level may change	as we do additional botto	om up work; ²Risk Appet	ite and Target Risk level will be fill	ed in after approval by the Board			

		12. Internal Ope	erations		Residual Risk ¹	Risk Appetite ²
Risk Owner: FISA IRT Category: N/A Direction of Travel: Risk Description Risks affecting the smooth operation of the Secretariat, reflecting key enterprise level operations at the Secretariat, reflecting the smooth operation of the Secretariat, reflecting key enterprise level operations at the Secretariat, reflecting the smooth operation of the Secretariat, reflecting key enterprise level operations at the Secretariat, r		No change since last quarter		•	0	
Risks affecting the smooth operation controlling and sourcing (indirect pro Risk Impact Decreased ability of the Global Fund	ocurement).		cretariat, inclu ding enterpris	e-wide projects, Information Technology (IT), financial	Target Risk ²	GF Ability to Mitigate
					0	****
		К	ey Countries/Component	is		
N/A						
1. Root Causes	2. Current C	Controls & Mitigations	4. Prog	gress on Ongoing & Planned Mitigations	Status:	
 (1) Health Campus: This risk is primarily a function of the ensure facility construction, move-ou continuity against an increasingly ury timetable ahead of the Secretariat's n new premises by 31 March 2018. (2) IT: Key IT risks are segregated into 4 ma categories: a. Failure to deliver on critica and new technology initiative b. IT operations - availability performance, recoverability a reliability; c. Information Security (cybe incident, accidental or malicides sensitive Global Fund inform d. Supplier relations and over (Contracting and managemer of critical key IT vendors). (3) Sourcing: The Global Fund is vulnerable to fina and reputational damage if critical participants and reputational damage if critical partical participants and reputational damage if critical partical participants and analyticants and analyticants and participants and particants and participants and participants and parti	 tt and IT tt and IT work stream leads oversight (ref. 1.1); (2) Credit Suisse pr Knight Frank provid 1.1). IP rojects is; (1) Key IT systems/ based service provid disaster recovery ca 1.2.d); er security out loss of ation 1 (2) Enterprise Arch 1.2.a); er security out loss of ation 1 (3) Data Protection force (ref. 1.2.c); (4) Roadmap for IS 1.2.b-c); (5) Security awaren Team (ref. 1.2.c). 	al project manager coordinates with Steering Committee ovides construction oversight; les operational oversight (ref. 'applications managed by a US- ler with high availability and pacity as of Q4 2016 (refs. 1.2.b itecture Board operational (ref. Policy developed in Q4 2016 in O 27001 certification (refs. ess training rolled out to IT	 (2) Increased frequency of GAVI-Global Fund) and mu (3) Discussions with the cu (4) Mock-up of data center (5) Outsource deliverables (6) Prioritization of relocat IT: (1) Rollout of mandatory se (2) Remediation action pla Planned Health Campus: Steering Committee decision IT: (1) Development of an Imp (2) Decommission legacy se Sourcing: 	with GAVI - MoU being developed to formalize Health Campus Steering Committee Meetings (2x / month for Global Fund and onthly informational updates to the Management Executive Con rrent landlord on the state of dilapidation required for the hand being developed off-site; where in-house resources are scarce; ion-ability impacting risks (62% of identified risks). ecurity awareness training to all staff via iLearn; n to address Active Directory Security Audit findings. on on phased or staggered move. lementer Partner Engagement Plan; ystems, e.g., Grant Management System (GMS). ng sessions for Secretariat staff.	1x / month joint nmittee;	Timelines Q3-Q4 2017 (1-6) Q3-Q4 2017 Q3 2017 Q3 2017 Q3/Q4 2017 Q3/Q4 2017
(1) Credit Suisse; (2) Knight Frank; (3) ISO 27001 Certification.		ents in procurement regulations 1.3).	Health Campus: Increasing the frequency of monitoring of issues surrou IT: Execution of plans to addre	5. Additional Actions Needed Steering Committee meetings to ensure both timely decision -m inding operational and process management. ess key findings from the recent ISO 27001 gap analysis and Micr eflect an increased level of residual risk.	0	0 0

		13. Integrated Processes, Syste	ems and Tools		Residual Risk ¹	Risk Appetit
Risk Owner: GMD	IRT Category: N/A	Direction of Travel:	>	Reduced to "Moderate" from "High" in last quarter	\bigcirc	0
Target Risk ²						
Risk Impact Veaknesses in grant and risk management, high transaction costs and weakened internal controls.						****
		Key Co	Countries/Components			1
[/A						
1. Root Causes	2. Currer	nt Controls & Mitigations	4. Progre	ss on Ongoing & Planned Mitigations	Status:	\bigcirc
1) Inadequate data systems; 2) Lack of data integration; 3) Poorly defined and monitored ontrols.	internal AIM Releases 1, completed. This - Visualization of programmatic an integration of dif reporting requir- importing of Pro Grant Operating - PR Reporting fr Progress Update populating experi- information) - Grant making, master data func grant documents Panel/Grant App new entities in G	to integrate and align grant iccesses, data and systems, ding controls. 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 3 and 4a and 4b have been has resulted in: 2, 4 and 2, 4 and 4 and 4b have been has resulted in: 2, 4 and 2, 4 and 4 and 4b have been has resulted in: 2, 4 and 2, 4 and 4 and 4b have been has resulted in: 2, 4 and 2, 4 and 4 and 4b have been has resulted in: 2, 4 and 2, 4 and	Ongoing Strategic Initiative (1) Next AIM Next project releases under development. Planned Strategic Initiative (1) Annual Funding Decisions and Disbursements to be released by September 2017. It will allow for the calculation of annual funding decision, disbursement schedule, performance summary, controls and approvals of the funding decision process, and integration between GOS and the Global Fund System (GFS). Other Development of the Integrated Risk Tool and integration of risk management across the grant lifecycle - a Request for Proposals to contract developers of the tool is in process, with a revised completion date of December 2017.			Timeline: Q3-Q4 20: Q4 2017 Dec. 2017
3. Assurances	funding requests data functionalit (refs. 1.1-3); (2) Migration of	tionalities for grant making, , grant implementation, master y and workflow enhancements all grants that will have active in 2017 to GOS (ref. 1.2).		5. Additional Actions Needed		

		14	4. Risk Management and I	Internal Controls		Residual Risk ¹	Risk Appetite ²
Risk Owner: Risk	IRT Cate	egory: N/A	Direction of Travel:		No change since last quarter		\bigcirc
Risk Description Weaknesses in identification of	key risks, correspor	nding controls, assessm	nent of impact, and prioritizatior	n and monitoring of mitigatir	ng actions.	Target Risk²	GF Ability to Mitigate
	active reporting on 1	risk events by the Secre	tariat and friction at the Board l		al Fund teams and individuals. There is also insufficient Ultimately this results in grants not meeting their objectives,	0	****
			К	ey Countries/Componen	ts		
N/A							
1. Root Caus	es	2. Current C	ontrols & Mitigations	4. Pros	gress on Ongoing & Planned Mitigations	Status:	$\bigcirc \bigcirc \bigcirc$
 (1) Risk Framework and Policy into operations; (2) Lack of clear accountabilitie two lines of defense; (3) Uneven review of & decision facing and internal risks; (4) Lack/non-use of standardiz approaches; (5) Inadequate assurance mech 	es across the first n-making on grant ed risk tools and anisms;	agreed upon, docum Note and rolled out i High Impact and Cor roles and responsibil lines of defense (refs (2) Matured Enterpr driving improvemen organizational risks mitigating actions ar strategic goals (ref 1. (3) Operational Risk	ise Risk Committee process is t in managing key with greater focus on id ensuring linkages with	1 & 2); (2) Roll-out and embeddin & 11 to be completed by Oc (3) Work on advancing rish of refined and indicative ri (4) 8 key business process (5) Approved Accountabili (6) Ongoing reduction in k (7) Roll out and updating of Planned	of funding requests, grant-making & approvals (84 components co of Risk & Assurance Planning Methodology into GMD continues tober 2017); k appetite ongoing with initial focus on grant-related operational r sk appetite statements to the Audit and Finance Committee; reviews leveraging the COSO internal control framework ongoing ty Framework being rolled out in the Secretariat; ong overdueAgreed Management Actions led by GMD, FISA and R of a restructured Organizational Risk Register.	Timelines Q3/Q4 2017 (1-7)	
(6) Lack of process documentat	ion.	mitigations linked to risk (refs 1.1, 1.3);(4) Integrated Risk T improved and stream	objectives and acceptance of Cool designed to facilitate	timelines; Other (1) Expanded assurance op (2) Improvements to aggre	rolled-out per revised 2017 Accelered Integration Management (A ptions available to Country Teams; gate risk reporting of key organizational risks; ntrol environment through compliance and monitoring function;		Q4 2017 Q3/Q4 2017 Q1 2018 Q2 2018
3. Assurance	es	out continues, with e	e planning and execution roll- expected coverage of all High plios in 2018 (ref. 1.5).	(4) Operationalization of R	tisk Appetite-based decision making.		Q2 2018
(1) Organizational Risk Register	r;				5. Additional Actions Needed		
(2) Integrated Risk Tool (forthe	oming).						

			15. Foreign Ex	change		Residual Risk ¹	Risk Appetite ²	
Risk Owner: FISA	IRT Category: N/A		Direction of Travel:		No change since last quarter		\bigcirc	
Risk Description Foreign exchange volatility	Risk Description Target Risk ² Foreign exchange volatility tied to net FX exposures faced by TGF.							
Risk Impact Financial losses due to currency fluctuations from existing FX exposures which reduce the amount of funds that can be invested in grants and initiatives (as part of a broader ALM process). Insufficient liquidity available to meet short and long-term cash needs. Delayed disbursements also affected by currency fluctuations.								
			1	Key Countries/Component	s			
N/A								
1. Root C	auses	2. Current C	ontrols & Mitigations	4. Prog	ress on Ongoing & Planned Mitigations	Status:		
 (1) Foreign Exchange (Fx) r (2) Assets and Liabilities M changes (i.e. donor pledges changes leading to different (3) Internal operational risk Poor Fx limit managem Poor Fx execution Model risk. 	anagement (ALM) or grant commitment t FX exposures); c:	 consistently hedged with close monitoring of the Fx "legacy" risk and related market entry strategy (ref. 1.1); (2) Global Fx Management Framework approved by the Audit and Finance Committee allows for hedging off-balance sheet exposures (i.e. mostly pledges) (ref. 1.2); (3) Treasury, Cash and FX Management Procedure 		(1) Regular update to AFC c (2) Fx risk has decreased si hedging (VaR to VaR limit r VaR stands at US \$12.5 m). Planned	ar update to AFC on hedging and legacy position; k has decreased since the end of December, with net exposures being reduced through additional VaR to VaR limit ratio moved from 111.5% at the end of Q4 2016 to 65.4% at the end of Q1 2017; current ds at US \$12.5 m).			
3. Assura	inces							
(1) Treasury Dashboard;(2) Quarterly reporting to the second s	a Audit and Finance				5. Additional Actions Needed			
Committee (AFC).	a more and rinance			Integration of ALM and invo	estment strategy into treasury procedure.			
¹ Residual Risk level may chan	ge as we do additional bot	tom up work; ² Risk Appe	tite and Target Risk level will be f	illed in after approval by the Boar	d			

			16. Governance an	d Oversight		Residual Risk ¹	Risk Appetite ²
Risk Owner: OBA	IRT Catego	ory: N/A	Direction of Travel:		No change since last quarter	High end of moderate	\bigcirc
Risk Description Callure to adequately respond to identified weaknesses in governance mechanisms, prioritize key issues, focus on practical outcomes and preserve insitutional memory.							
Risk Impact This can lead the Board to make faulty decisions and impede its ability to provide clear strategic direction, including development of an inclusive partnership model that reconciles conflicting values.							
				Key Countries/Component	s		
N/A							
1. Root Ca	uses	2. Current C	ontrols & Mitigations	4. Prog	ress on Ongoing & Planned Mitigations	Status:	$\bigcirc \bigcirc \bigcirc$
 (1) Board structure and comwith the changing environm Global Fund operates; (2) Inadequate framework for related conflicts of interest; (3) Inadequate link between and strategic objectives and functions; (4) Board papers not focuse required by the Board for destrategic input; (5) Unclear process and para Board, its leadership, Coord Committees in managing cruction (6) Board unable to leverag Committee level; (7) Weaknesses in structure underpin the efficiency and Board's operations; 	ient in which the or managing Board- a the Board agenda /or the core Board ed on information existion making or rameters for the linating Group and oss cutting issues; e work done at s and processes that	for governance bodie (4) Standardized onl Board and committe (5) Board leadership recommendations (r (8) Risk Managemer	ooarding program for new e members (ref 1.1); ToRs revised based on EGC	 (2) Ongoing operationalizati (3) Further enhancements o Board Members; (4) Updated constituency gu key governance areas; (5) EGC revision of lessons less selection process; (6) Implementation of the end (7) CG efforts to better coord 	oork plan covering critical governance and ethics work streams; on of Board governance reforms to increase Board and committee f the standardized onboarding program to cover Board processes idelines being developed to provide minimum standards for Boar earnt from the new process to appoint the Board Leadership and o phanced governance structure approved by the Board in Jan 2016 linate cross-cutting issues and shape Board agendas; draft Governance and Legal Framework document arising out of t	and expectations of d constituencies in ongoing ED	Timelines Q3-Q4 2017 (1-8)
(8) Misalignment of Board of and the organizational conto	ext.				Continuation of Board Composition and structure work stream by the EGC; EGC Governance action plan to follow up on the latest OIG governance review.		
3. Assura	nces				5. Additional Actions Needed		
				Clear pathway to address ho	w to welcome new donors within the GF governance structure to	support resource mo	bilization efforts.

		17. Organizationa	l Culture		Residual Risk ¹	Risk Appetite ²			
Risk Owner: HR	IRT Category: N/A	Direction of Travel:		No change since last quarter	<u> </u>	\bigcirc			
	tisk Description he Global Fund culture requires positive synergy of 6 elements: integrity; respect passion; collaboration; innovation; and effectiveness. Risks affecting one or more of these elements can ompromise the Global Fund's vision and commitments to combat the three epidemics and improve health systems.								
Risk Impact Failure to uphold corporate values can	Risk Impact Failure to uphold corporate values can result in a deterioration in the Global Fund's vision and its ability to tackle the three diseases.								
Key Countries/Components									
N/A									
1. Root Causes	2. Current C	Controls & Mitigations	4. Pro	gress on Ongoing & Planned Mitigations	Status:				
 (1) Tone from the top; (2) Historical factors affecting the cult (3) Limited ability to create an approprincentive structure. 	(2) People managen culture for staff; (3) Employee wellne (4) Code of Conduct Harassment Policy a	of HR Strategy; nent training on organizational ess activities ongoing; for Staff, Bullying and and updated disciplinary es enhanced accountability and	 2016 Staff Engagement Su (2) Ethics Office focus on a code of conduct; (3) High-level focus on cultoring of the update of the upd	rces Transformation Project focuses on improvements in culture an rvey follow-up facilitates ongoing management and staff focus on c operationalization of an ethics policy, integrity framework and mon ture and values as part of new People Strategy; continue addressing engagement Survey Results; ited staff Code of Conduct and related HR policies; ng and related trainings on ethics and integrity as part of new cultu an overall culture plan for the next 18 months; plan to be approved	ulture; itoring the staff ure project.	Timelines Q3-Q4 2017-(1- 3) 2017-2018 (1-2) Q3 2017			
3. Assurances			2017.			Q3 2017			
(2) Staff Council.	(1) Ombudsman; (2) Staff Council.								
¹ Residual Risk level may change as we do	additional bottom up work; 2Risk App	etite and Target Risk level will be fil	lled in after approval by the Boa	rd					

18. Ethics					Risk Appetite ²	
Risk Owner: Ethics	Risk Owner: Ethics IRT Category: N/A Direction of Travel: No change since last quarter				0	
Risk Description Current or potential organ	Risk Description Current or potential organizational beliefs, practices, or conduct that are in contravention of Global Fund Values, Codes of Conduct or applicable policies.					
Risk Impact Poor decision-making, pot	ential fraud, financial loss, reputational damage	e, and/or failure to achieve strategic objectives.		0	***	

Key Countries/Components

Ethics risks manifest themselves at three levels: 1) Board oversight; 2) Secretariat operations; and 3) Country-level activities. Appropriate metrics at each level can inform risk levels and appetite.

1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations Stat	us:	$\bigcirc \bigcirc \bigcirc$
(1) Inappropriate "tone from the top";	Entity Level (1) Ethics & Integrity Framework;	Ongoing		Timelines
(2) People management weaknesses;	(2) Ethics Policy including Conflict of Interest in place (ref. 1.4;	(1) Anti-Corruption Policy will create consistent and enforceable definitions of prohibited practices, set prioritization, and clarify responsibilities for anticorruption;		Q4 2017 (1-4)
(3) HR performance issues;(4) Conflicts of interest.	(3) Codes of Conduct in place for grant recipients, suppliers, LFAs and Board (refs. 1.1, 1.4);	(2) Anti-Corruption Framework will set groundwork for corruption risk assessment;		
	(4) Code of Conduct for governance officials (ref.1.1);	(3) Trainings on ethical conduct for staff and engagement with managers on weaknesses in staff engagement survey;	ient	
	(5) Updated Code of Conduct for GF staff (refs. 1.2, 1.3);	(4) New Code of Conduct for CCMs with performance based enforcement mechanism.		
	Process Level (1) Conflict of Interest reviews (ref. 1.4);	Planned (1) Ethics Office to update and strengthen remaining ethics and conduct codes and policies to create mutriconsistency;	ual	Q4 2017 (1-3)
	(2) Ethics case managemgent (refs 1.1-4);	(2) Roll out of the Integrity Due Diligence project for development of an IDD policy and framework;		
3. Assurances	(3) Integrity Due Diligence (forthcoming) (refs. 1.1, 1.4);	(3) Enhancement of CoI management process.		
	(4) "I speak up" whistleblowing line to OIG in place: "We Speak Together for Better Grant	(4) Implementation of Standard Operating Procedures for Ethics case management following the COSO r by the Risk Function	review	Q4 2018
(1) 2nd Line Compliance monitoring (see Box 5);(2) 3rd Line OIG audit/investigation and annual	Impact" developed to encourage staff to reach out to the OIG (refs 1.2-4)	5. Additional Actions Needed		
reports.	Aggregate Monitoring (1) Ombudsman reports (refs 1.1-4);	(1) Compliance Function to be defined and operationalized, to include compliance monitoring;		
	(2) Staff Engagement Surveys (refs. 1.1-4);	(2) Explicit Ethics risk appetite to be articulated.		
	(3) OIG Whistleblower reporting (refs. 1.1-4)			
¹ Residual Risk level may change as we do additional bot	tom up work; ² Risk Appetite and Target Risk level will be fi	lled in after approval by the Board		

19. Staff Health					Residual Risk ¹	Risk Appetite²	
Risk Owner: HR	IRT Category: N/A	Direction of Travel:		No change since last quarter		\bigcirc	
Risk Description Continued high stress levels ar	Target Risk ²	GF Ability to Mitigate					
corporate values.							
Risk Impact Deterioration of staff health lea impact.	\bigcirc	****					
Key Countries/Components							

key countries/components

N/A

1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations Status:	
 (1) Lack of proper planning; (2) Ambitious annual plans; (3) People management weaknesses; (4) Lack of resilience; (5) Budgetary constraints. 	 (1) 2016 Staff Engagement and Manager Survey conducted, outcome discussed by MEC and shared with staff (refs. 1.1-2); (2) Activities: Team resilience training for people managers; Staff Counselor Guides developed about wellbeing; Mindfulness course open to all staff; Lunch-time sessions by Staff Counselor; Staff Geneva Marathon group (refs. 1.3-4); (3) Wellness Weeks program (ref. 1.1); (4) Partner Onboarding & Transitioning to Retirement training programs (ref.1.1); (5) Occupational Health Advisor facilitating return to work in cases of long-term absence. (ref. 1.3) 	Ongoing Strategic Initiative(s) Quarterly sessions for Heads of Department and Regional managers commenced with focus on employee at team wellness – first session held on 12 April focusing on supporting employees absent for health reasor booklet for managers developed and shared with all managers. Planned Strategic Initiative(s) Roll-out of awareness raising and related trainings on ethics and integrity as part of new culture project. Other Manager training on team resilience planned (1 of 4 standard foundational management development courses)	s; Q3 2017
3. Assurances		5. Additional Actions Needed	
 (1) Ombudsman; (2) Staff Council. 	tom up work: 2Risk Appetite and Target Risk level will be fill	 (1) The risk description and root cause will need to be redefined as part of the next review in light of the better of information that HR has been able to collect. (2) The first review highlights that the staff health issues are not wide-spread thoutghout the organization but areas. Lack of proper planning, ambitious annual plans and people management weaknesses and lack of resilie idendified as causes 	argeted in certain

						20. Future Fu	ınding		Residual Risk ¹	Risk Appetite
Risk	c Owner: ER		IRT Catego	ory: N/A	Γ	Direction of Travel:		No change since last quarter		\frown
							GF Ability to			
	sk Impact ability to honor grant commitments so as to meet Global Fund Strategy targets in fighting the three diseases.					Target Risk ²	Mitigate			
									0	***
							Key Countries/Compone	nts		
1 2 3 4 5	United States France United Kingdom Germany Japan	6 7 8 9 10	European Canada BMGF Sweden Italy	Commission	11 12 13 14 15	Netherlands Norway Spain Australia Denmark		Top 15 donors to the Global Fund		
	1. Root Cau	ises		2. Current Co	ontrols	& Mitigations	4. Pro	gress on Ongoing & Planned Mitigations	Status:	
(1) Global socio-political events and trends (e.g., migration, nationalism) that significantly affect the donor funding landscape shifting financial resources away from investments in global health;(1) Replenish yielding US\$ with majority maintaining/ doubling of (i (ref. 1.1);(2) An increasingly populated environment with a number of organizations working in similar spheres competing for the same resources; (3) Failure to meet donor expectations/ criteria/conditions for continued funding.(1) Replenish yielding US\$ with majority maintaining/ doubling of (i (ref. 1.1);(2) Ongoing I partners as w where opport been identified (3) Ongoing technical level(3) Ongoing technical level			 (2) Ongoing monitor mobilization of politi partners as well as hi particularly where pl where opportunities been identified (ref.1 (3) Ongoing engagen technical level to ens requirements and ali 	lion in p 15 donor ing their IGF) priv ing of bu ical and c igh-level ledge cor for an in .2); ment wit ure GF fi gns with	ledges for 2017-2019, s pledge and the ate sector pledges dgetary processes and ivil society advocacy influencers, version is at risk or creased pledge has h public donors at the ilfills donor donor priorities, and	to address increasingly chi bearing monitoring: Nethe elections), Norway and Ge (2) Good progress in nego towards bilateral, multi-ye (3) Continued efforts to di which aims to mobilize up and exploration of innovat traditional (non-OECD D/ Planned (1) Efforts to sustain and e	plitical transitions & building strong cross-party support for GF in k allenging political landscape. In addition to the US, other political t rlands (March parlimentary elections), France (May presidential & rmany (Sept), Republic of Korea and Italy (TBC); tiations and signing of 5th Replenishment contribution agreements; ar agreements; versify and expand GF donor base in line with Resource Mobilization to \$500M for the current period: acceleration of private sector reso ive financing mechanisms; review of Board composition to accomm &C donors); more systematic engagement with smaller/returning OF xpand advocacy support base, including measures to decrease depe on external funders (in context of 2018 Opex discussions);	ransitions in 2017 June parlimnetary , including shifting on Action Plan, ource mobilization todate non- ECD-DAC donors.	Timelines Q4 2017 Q4 2017 Q3 2017	
(1) Donor Government budgets reflect commitments to GF;to inform development of a strong investment case for future funding to GF (ref. 1.3).(2) KPI reporting;2				ment Case, proposals for hosting arrangements for 6th replenishme	ent milestones and	2018-19 2018-19				
(3) Positive outcomes of donor reviews/evaluations (for e.g. overall positive outcomes of the UK Multilateral Development Review, Multilateral Organization Performance Assessment Network review and Australian				5. Additional Actions Needed						
Departm	nent of Foreign Affair	rs and Trade	e review).				US, France, Japan, Belgiu	m: Additional mitigating measures to maintain GF pledge in contex	t of broader cuts to C	DDA.

¹Residual Risk level may change as we do additional bottom up work; ²Risk Appetite and Target Risk level will be filled in after approval by the Board

		21. Privileges and Immunities		Residual Risk ¹	Risk Appetite ²			
Risk Owner: Legal	gal IRT Category: N/A Direction of Travel: \longrightarrow No change since last quarter							
Risk Description Absence of Privileges and	Target Risk ²	GF Ability to Mitigate						
enforcement measures.								
Risk Impact Lack of P&Is hinders the G deliver life-saving commo	\bigcirc	***						
Key Countries/Components								
P&I Agreement: 15 signed, of these 8 have ratified the P&I Agreement; 2 further ratifications required for entry into force of the P&I Agreement.								

3 3 3 3 4		· · · · ·		
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations Sta	atus:	
 Difficulty to understand the particular legal status of the Global Fund; Limited appreciation of the legal risks and costs arising from the absence of P&Is Difficulty in identifying key country stakeholders to make progress. 	 Execution of P&I Strategy approved by Board Leadership; Privileges and Immunities Advisory Group (PIAG) involved in high-level advocacy, leveraging diplomatic and political networks; Framework Agreement signed by 78 countries as of August 2017, with provision that host country grantee shall take all appropriate and necessary actions to ensure that the Global Fund is accorded with privileges and immunities within 3 years of the effective date of the Framework Agreement. (ref. 1.1-3 for all) 	 Ongoing (1) The Global Fund has been granted privileges and immunities under the domestic laws of four countradition, fifteen countries have now signed the P&I Agreement; of these, eight have ratified accepted or otherwise approved the P&I Agreement. (2) Interim General Counsel joined Global Fund 1 June 2017. (3) Focus on achieving 2 additional ratifications required for P&I Agreement entry into force. Planned The Legal Department of the Global Fund, with the support of the PIAG, will continue to engage with the current signatories who have yet to ratify, accept or approve the P&I Agreement. The Legal Department PIAG will also pursue opportunities for new signings and ratifications.	ie 7	Timelines Q2 2017 (1-3)
j. Assurances				
Signed and ratified coutry-specific P&I agreements.		5. Additional Actions Needed		
		 (1) 2 further ratifications needed for entry into force of the P&I Agreement. (2) Additional countries to sign and ratify P&I Agreement. (3)Legal risk analysis at the outset of Secretariat proposals, projects and initiatives. 		
¹ Residual Risk level may change as we do additional bo	ttom up work; ² Risk Appetite and Target Risk level will be f	illed in after approval by the Board		

		22. Reputat	ion		Residual Risk ¹	Risk Appetite ²
Risk Owner: OED	IRT Category: N/A	Direction of Travel:		No change since last quarter		\bigcirc
Risk Description Organizational inefficiencies, poor governa disproportionately negative media coverag				tational harm on the Global Fund. Misleading or	Target Risk ²	GF Ability to Mitigate
Risk Impact Reputational damage leading to potential loss of future donor funding and ability to achieve impact against the three diseases.					0	**
		К	ey Countries/Component	s		
N/A						
1. Root Causes	2. Current C	ontrols & Mitigations	4. Prog	ress on Ongoing & Planned Mitigations	Status:	
 Political factors can generate misleadin coverage; Complexity of global health operations prevent simple interpretation and allow misinterpretation; OIG reports that identify misuse of fun Performance issues or internal control weaknesses 	(1) Proactive identific country teams and s (2) Focus on key org Risk Committee (ref (3) Proactive, agile c	cation of potential issues by enior management (ref.1.1); anizational risks by Enterprise s. 1.1-2); ommunications strategy by partment. (refs. 1.1-4).	(2) Ethics review and opera Diligence.	gement and oversight for High Impact and Risk portfolios includi tionalization of ethics related policies and codes of conduct, inclu nalizing ethics controls and culture	8	Timelines Q3 2017 (1&2) Q3/Q4 2017
3. Assurances				5. Additional Actions Needed		
1) Country Teams reports; (1) Heightened awareness of this risk across the Secretariat; 2) Risk Department reviews; (2) Reputational risk will continue to materialize at various levels over time and will need to be managed accordingly. 3) Communications Department. (2) Reputational risk will continue to materialize at various levels over time and will need to be managed accordingly.					ıgly.	
¹ Residual Risk level may change as we do addit	ional bottom up work; ² Risk Appe	tite and Target Risk level will be fil	led in after approval by the Boar	1		



38th Board Meeting Prioritized Action Plan Update For Board Information

GF/B38/18 – Annex 2 Geneva, Switzerland 14-15 November 2017



Prioritized Action Plan

- Helps the Secretariat and the Board monitor, assess and oversee in real time the implementation of our strategy.
- Reinforces a **Risk Management Culture** by prioritizing initiatives and actions that will enhance mitigation of identified risks.
- Helps us to accelerate improvement in governance and risk management.

Summary of August update

- The Prioritized Action Plan has been updated at the end of August 2017.
- A review of deliverables that had missed deadlines was done end of May 2017, and revised completion timelines were identified between June and December 2017 for all delayed deliverables. Accountable MEC members committed to completion of deliverables in line with the revised timelines.
- Overall, the results are aligned to the Plan, as **98%** of deliverables are completed on time.
- Of the 8 deliverables to be completed in July and August 2017, 7 were delivered on time. The remaining 1 is expected to be completed by end of September 2017.
- As of today, **80%** of the overall PAP deliverables have been fully completed.
- The remaining 20% represents a total of 17 deliverables remaining in the PAP as follows:

Initiative	# deliverables	Initiative	# deliverables
Risk & Assurance Plans	2	Project Management	1
Accelerated Integration Management (AIM) - IRT	1	Strategy Planning and Implementation	2
Co-Link: Strengthening Financial Management Capacity	4	Strengthening Internal Controls of Key Processes	1
Procurement and Supply Chain Management (wambo)	2	Supply Chain Optimization including SC Assurance	4

2



Since last progress update: 7 deliverables completed, 1 delayed

Deliverables due in July and August since last progress update as of end June 2017

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline	Revised Deadline	
Differentiation for Impact	Update the Country Team roles and responsibilities matrix for the entire grant lifecycle	Approved Roles and Responsibilities Matrix	Jul-17*	Sep-17	
Procurement and Supply Chain Management	Transition all PPM PRs to wambo.org	All PRs currently using PPM channel their orders via wambo.org, no offline PPM transactions	Jul-17	-	
Supply Chain Optimization	Nigeria - "Warehouse in a Box" #2 (in Lagos) construction complete	Building complete and ready for inspection	Jul-17*	-	
Supply Chain Optimization	Roll out in selected country	RFP launched (refined and adapted from the RFI)	Jul-17*	-	
Supply Chain Optimization	Pilot of the SC assurance in selected countries	Develop a SC risk and assurance matrix for the 5 countries	Jul-17	-	
Supply Chain Optimization	Pilot of the SC assurance in selected countries	Updated SC assurance framework tool after a first phase of operationalization/piloting	Jul-17	-	
Supply Chain Optimization	Roll out in selected countries	Roll out plan beyond 5 countries	Aug-17*	-	,
Co-Link: Strengthening Finance Management Capacity	Develop the financial management handbook for implementers outlining the minimum standards required for grant implementation	EGMC Approved financial management handbook published on the Global Fund website and circulated to Principal Recipients	Jul-17*	Sep-17	

> See following slide for detailed rationale for delayed deliverable

* Deliverable deadline revised as of end May 2017 (see Appendix - slide 16)

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Rationale for 1 deliverable delayed at end August 2017

Deliverables that are delayed or for which scope has changed

Project / Initiative	Rationale and revised timelines
Co-Link: Strengthening Financial Management Capacity	 Extensive consultation and incorporation of stakeholder comments received in validating the Financial Management Handbook has delayed presentation of the final deliverable by six months. Originally due in March 2017, the handbook is now expected to be published by end September 2017, allowing time for final quality assurance review.

3 deliverables due for completion by end Q3 2017

Out of a total of 17 remaining PAP deliverables

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline
Co-Link: Strengthening Finance Management Capacity		EGMC Approved financial management handbook published on the Global Fund website and circulated to Principal Recipients	Sep-17
Supply Chain Optimization	Roll out in selected country	Assurance providers selected	Sep-17
Accelerated Integration Management (AIM)	existing risk management tools (QUART, CAT), and link with a	Risk management solution, which can be updated on a real-time basis, and integrated in the decision-making processes within the grant management cycle.	

The first 2 deliverables are on track for completion by 30 September. The third relates to the Integrated Risk Tool. A new solution provider was recently hired and this is now on track to be delivered for use by 31 December 2017.

9 deliverables due for completion by end Q4 2017

Out of a total of 17 remaining PAP deliverables

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline
Supply Chain Optimization	Diagnostic finalized for 5 other countries	Diagnostic document	Dec-17
Supply Chain Optimization	Diagnostic finalized for 7-12 new countries	Diagnostic document	Dec-17
Co-Link: Strengthening Finance Management Capacity	Joint financial management assessments in 3 countries promoting harmonization and use of country systems in partnerships with IHP+ and other Development Partners.	Consolidated cost country action plans to address financial management gaps with clear roles and responsibilities	Dec-17
Wanagement Capacity	Facilitate the reconfiguration and roll-out of pre-packaged accounting software with critical functionalities for accounting, budget monitoring and reporting	Optimized Tom2Pro through an innovative partnership with the software developer for 10 (3 pilots + 7) francophone countries	Dec-17
Co-Link: Strengthening Finance Management Capacity	Finalize financial management improvement projects on people, processes and systems targeting at least 10 countries	Visible improvement in financial management practices, internal controls and reporting in 10 countries	Dec-17
	Develop 2018 and 2019 activity and work plan by operational objective (2018 work Plan)	Approved 2018 activity & work plan for each SO linked to the implementation KPIs and thematic reporting	Dec-17
Assurance	Roll out assurance planning in phased manner (Q2 2017 – 12)	Completed Key Risk Matrix Assurance Assessment	Oct-17
Assurance	Roll out assurance planning in phased manner (Q4 2017 – 12)	Completed Key Risk Matrix Assurance Assessment	Dec-17
		Internal controls for updated procurement, grant management and remaining core processes strengthened and formalized	Dec-17

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5 deliverables ongoing, due for completion in 2018

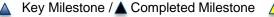
Out of a total of 17 remaining PAP deliverables

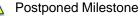
Action Type	Task	Deliverable/Action/Milestone	Latest Deadline
Project Wanagement		Quarterly Project Coordinating meetings and quarterly reporting to MEC	Ongoing
••••••	Develop 2018 and 2019 activity and work plan by operational objective (2019 work Plan)	Approved 2019 activity & work plan for each SO linked to the implementation KPIs and thematic reporting	Dec-18
Procurement and Supply Chain Management	lesting, in limited setting and controlled environment, of using wambo org for a broader scope of procurement transactions	Explore and test requisite platform capability to facilitate orders outside of the current setup for procurement financed by Global Fund grant funds	Dec-18
Procurement and Supply Chain Management	Proparations for global public good sotting: analysis	Fact based and strategic options on market dynamics considerations (by category), operating model and systems implications, strategic options around legal entity type, governance mechanism	TBD
Supply Chain Optimization	Develop and implement transformative programs for wave 2 countries	Project implementation plan	TBD

APPENDIX

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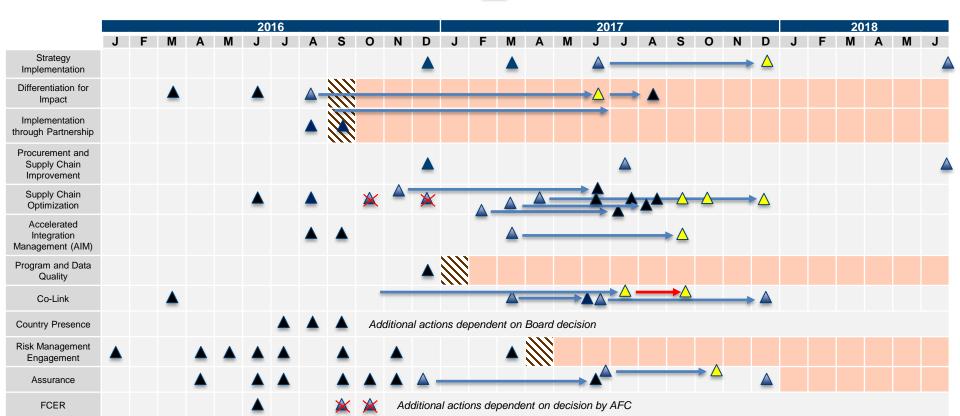
Deliverables cancelled



Project moved to mainstream



Project fully completed



Current status of key initiatives

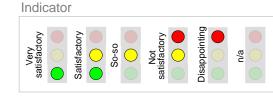
Very satisfactory Satisfactory So-so So-so So-so Disappointing

Bold: delivered during July & August Light Grey: delivered before July

Strategy Planning and Implementation	 Cascade from the organization's performance management framework metrics or measurements for Secretariat teams Implementation plans for each SO linked to the performance management framework 2017 activity & work plan for each SO linked to the implementation KPIs and thematic reporting Operational policy notes and guidelines approved by EGMC MEC review of SO implementation 	End of August 2017
Differentiation for Impact (D4I)	 Approved Country Categorization with high level definitions of scope and impact People Strategy for Focused, Core and HI portfolios Approved Finalized and roll-out trainings for at least 90% of the country teams Approved Roles and Responsibilities Matrix 	End of August 2017
Implementation through Partnership	 Collective Analysis of 20 Countries Convened Actions Identified & Prioritized Mobilization and Coordination of Technical Support Finalized Actions Implemented in-country, Results Monitored Integration of ITP as a part of mainstreamed processes/activities 	End of August 2017

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Current status of key initiatives



Bold: delivered during July & August Light Grey: delivered before July

Procurement and Supply Chain Improvement	 All core health categories, and freight and logistics services for distribution of health products All PRs currently using PPM channel their orders via wambo.org, no offline PPM transactions 	End of August 2017
Accelerated Integration Management (AIM)	 Approved end to end business process design Finalize a risk management process flow Roll-out of the new operating system that provide grant portfolio data from PRs 	End of August 2017

Current status of key initiatives







Bold: delivered during July & August Light Grey: delivered before July

	Desurrent of notwork design	
	Document of network design	
	Agreement from countries to participate	
	 Request for Proposal for support to carry out project 	
	LMIS installed and ready for inspection	
	 Report to evaluate and assess the current state of the strategy 	
	Diagnostic document for 3 countries	
	Review of key assurance needs and options for possible providers	
	 Development of a draft SC assurance framework to guide SC assurance work plan for all portfolios in 2017 	
	 Approach defined for developing and validating a SC risk and assurance country matrix with expended assurance options 	End of August 2017
	Selection of 5 countries for piloting the approach	
	 Report on the new supply chain strategy - Vision and strategy development 	
	New supply chain strategy - Implementation plan	
	 Building complete and ready for inspection – Nigeria "warehouse in a box" #2 	
	RFP launched (refined and adapted from the RFI)	
	Develop a SC risk and assurance matrix for the 5 countries	
	Roll out plan beyond 5 countries	
	Updated SC assurance framework tool after a first phase of operationalization/piloting	

Current status of key initiatives

Indicator Satisfactory So-so Disappointing Disappointing

Bold: delivered during July & August Light Grey: delivered before July

Program and Data Quality	 Rollout GF Strategy for Program and Data Quality Improvement 	End of August 2017
Financial Management Capacity (Co-Link)	 Approved Roadmap and project structure EGMC Approved guidelines for grant budgeting published on the Global Fund website and circulated to Principal Recipients Harmonized and Integrated financial management service within a single unit for Global Fund and & other donors funding in a country 	End of August 2017
Country Presence Model	 Comprehensive list of country presence options Assessed list of viable country presence options Costing Model Paper for country presence to be discussed by the Strategy Committee 	End of August 2017
Strengthening Internal Controls of Key Processes & Risk Oversight	 Internal controls for 12 core processes strengthened & formalized (80% COSO compliant) 	End of August 2017

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Current status of key initiatives

Indicator



Bold: delivered during July & August Light Grey: delivered before July

Assurance Practices	 Completed Key Risk Matrix per each country Assurance Assessment per each country OPN/Guidance Note Staff Training Module Completed Key Risk Matrix Assurance Assessment List of key assurance needs, the most probable options for each assurance need (with pros and cons) RFI launched to seek information from possible providers Complete budgeting exercise to increase funding to SC assurance Completed Key Risk Matrix per each country Assurance Assessment per each country 	End of August 2017
FCER (Financial Control Environment Reviews)	 Formal opinion on the reliability of financial controls within the high-risk Nigeria grants over the period 1 June 2015 to 30 April 2016, including formal testing of expenditures to ensure in alignment with the approved grant budgets. Assess the Financial Risk and Assurance Model (FRAM) developed by the country teams at key risky PRs in the selected countries Report to Audit and Finance Committee on findings with recommendation on whether the FCER should be embedded into the overall risk and assurance framework of the organization 	End of August 2017

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Current status of key initiatives

Indicator Satisfactory So-so So-so So-so So-so So-so So-so So-so Olisaptory Disappointing Very satisfactory

Bold: delivered during July & August Light Grey: delivered before July

Risk Management Engagement	 Integration of risk's management team's view in grant management decision making processes. Revised criteria, country list and updated Country Risk Dashboard Minutes of the ORC with key decision points "Operational Plan on Risk Department Engagement Model vis-à-vis Grant Management" shared with GMD and Senior Management Complete and consulted OPN approved by EGMC ERC Minutes Risk Report together with latest Corporate Risk Register submitted to the Board Country Risk Dashboard Controls Database 	End of August 2017
Project Management	 Resources allocated for PMO function and team structure PMO Standard toolkit and governance model for monitoring Approved project management competency level for training and identification of training provider Training initiated for the basic and intermediary project and change management competencies Monthly Project Coordinating meetings and quarterly reporting to MEC 	End of August 2017

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Reminder: progress on deliverables reprioritized at end May 2017

Delivery date proactively revised (5) or reprioritized after delivery date exceeded (9)

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline	Previous Deadline	
Co-Link: Strengthening Finance Management Capacity	Update the Global Fund guidelines for grant budgeting that establish clearer principles for value for money and eligibility criteria for grant expenditures.	EGMC Approved guidelines for grant budgeting published on the Global Fund website and circulated to Principal Recipients	Jun-17	Mar-17	•
Co-Link: Strengthening Finance Management Capacity	Develop financial management handbook for implementers outlining minimum standards for grant implementation	EGMC Approved financial management handbook published on the Global Fund website and circulated to Principal Recipients	Jul-17	Mar-17	
Assurance	Roll out assurance planning in phased manner (Q2 2017 – 12)	Completed Key Risk Matrix Assurance Assessment	Oct-17	Jun-17	
Strategy Planning and Implementation	Develop 2018 activity and work plan by operational objective (2018 work Plan)	Approved 2018 activity & work plan for each SO linked to the implementation KPIs and thematic reporting	Dec-17	Jun-17	
Strategy Planning and Implementation	Develop 2019 activity and work plan by operational objective (2019 work Plan)	Approved 2019 activity & work plan for each SO linked to the implementation KPIs and thematic reporting	Dec-18	Jun-18	ļ
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Differentiation for Impact	Update the Country Team roles and responsibilities matrix for the entire grant lifecycle	Approved Roles and Responsibilities Matrix	Jul-17	Aug-16	٠
Supply Chain Optimization	New supply chain strategy - Vision and strategy development	Report	Jun-17	Apr-17	•
Supply Chain Optimization	Nigeria - "Warehouse in a Box" #2 (in Lagos) construction	Building complete and ready for inspection	Jul-17	Feb-17	•
Supply Chain Optimization	Roll out in selected countries (5)	RFP launched (refined and adapted from the RFI)	Jul-17	Nov-16	•
Supply Chain Optimization	Roll out in selected countries	Roll out plan beyond 5 countries	Aug-17	Mar-17	•
Supply Chain Optimization	Roll out in selected country (5)	Assurance providers selected	Sep-17	Mar-17	1
Accelerated Integration Management (AIM)	Align risk management and assurance processes, integrate existing risk management tools (QUART, CAT), and link with a centralized repository for ongoing tracking w/in new system.	Risk management solution, which can be updated on a real-time basis, and integrated in the decision-making processes within the grant management cycle.	Sep-17	Mar-17	
_	Perform risk and control review and strengthen internal control design of remaining 8 core processes	Internal controls for updated procurement, grant management and remaining core processes strengthened and formalized	Dec-17	Dec-16	
Supply Chain Optimization	Diagnostic finalized for 5 other countries	Diagnostic document	Dec-17	Apr-17	<u> </u>