
Risk Management Report and the Chief Risk Officer's Annual Opinion

43rd Board Meeting

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Board Information

Purpose of the paper: To provide the Board with an updated report on risk management and the Chief Risk Officer's Annual Opinion.

Executive Summary

Introduction and context

The Global Fund's focus for 2020 is to deliver maximum impact from current grants while preparing the next allocation cycle. As the epidemiological context evolves and strategic objectives become more ambitious, we expect the trajectory to get to target risk levels to be more varied.

Key issues addressed and conclusions

i. External and operating environment: implications for risk management

In an evolving external environment, more focus will be needed on reaching hard-to-reach populations, HIV prevention, missing TB cases, and interrupting malaria transmission. With increased resources available, the Global Fund will need to be willing to innovate and take measured risks to deliver impact. In a changing epidemiological situation, the importance of Program Quality and M&E as key drivers of risk becomes much higher; integrating human rights and gender considerations explicitly into program delivery will also be key.

ii. Key thematic risks looking forward

These will include Program Quality, M&E, Human Rights and Gender Inequality, In-Country Supply Chain and Domestic Financing, as well as Transition and National Program Governance, and Grant Oversight risk.

iii. Status of the overall risk profile and risk levels relative to Risk Appetite

The Global Fund's overall risk profile in 2019 remained stable to slightly improving, and risks continued to be within the approved risk appetite. All three risks where the risk level is above the target level were on track to reach the target level within the timeframe set by the Board. As a result of the COVID-19 pandemic, risk levels will evolve rapidly, and the partnership is focused on developing appropriate strategies to deliver impact.

iv. Advancing the maturity of risk management, internal controls and governance

The Global Fund has significantly advanced the maturity of risk management, internal controls and governance, creating well-established and functioning systems, processes, tools and practices, and ensuring the framework is responsive to changes.

v. Chief Risk Officer's (CRO) Annual Opinion

The Secretariat has reached an Embedded level of maturity of risk management, internal controls and governance by the end of 2019. The risk management framework is achieving its purpose, providing a common language and structure for thinking about and making trade-off decisions in an evidence-based and timely manner. The Global Fund has built and operationalized a strong risk management and internal control framework, which will prove more effective with use. The Secretariat will need to continuously adapt the framework, especially as the risks or objectives change, to ensure it remains relevant and fit-for-purpose.

Input Sought

1. This report constitutes the Secretariat's annual update on risk management and the risk profile of the organization, and the Chief Risk Officer's Annual Opinion. The Report is provided for information to the standing committees of the Board.

Input Received

2. The Report was shared with all three committees and discussed as an agenda item at the 12th Audit and Finance Committee and Strategy Committee meetings in March 2020.

Report

I. Introduction

1. As discussed in previous reports, the Global Fund works in difficult contexts, which requires that we are able to manage risks effectively and accept them as necessary to deliver impact. Looking forward to the next funding cycle, the challenges ahead will require the Secretariat to be even more nimble and adapt to the rapidly changing context.
2. We have developed and operationalized a robust risk management and control framework, which allows us to identify, measure and manage risks, make informed trade-off decisions and monitor progress.
3. As the epidemiological context evolves and strategic objectives become more ambitious, the relative prioritization and significance of risks will change. As the level of risk depends on the level of ambition and difficulty in achieving strategic objectives, we expect the trajectory to get to target risk levels to be more varied than the past two years. Some of the risks that we had prioritized in the past may not be the most relevant as we look forward. Equally, the level of risks that we accept and how we manage them will need to be adapted to deliver impact.

II. External and operating environment and implications for risk management

4. Moving into 2020, the Global Fund's focus is to make the most of the final year of implementation of the current grants¹, while setting up for the next allocation cycle to deliver maximum impact.
5. Understanding the changes in the external and epidemiological context, the evolving operating environment for the Global Fund partnership and our strategy – and hence the level of ambition – is critical to managing the risks inherent in delivering the mission.

Evolving external environment

6. The epidemiological situation is evolving, including not achieving expected results in certain cases and gaps that need to be filled to achieve the trajectories outlined in the investment case as part of the sixth replenishment campaign.
7. Significant progress has been made in tackling the three diseases. However, the journey ahead of us will be increasingly different and hence difficult as more focus will need to be placed, among other things, on reaching the hardest to reach populations and prevention (HIV), missing TB cases (TB) and interrupting the transmission dynamics (malaria). In addition, the epidemiological context may get more complex due to factors such as climate change, drug and insecticide resistance and new diseases.
8. The Global Fund remains alert to identify emerging risks that may pose a significant threat to its mission. For example, the current outbreak of coronavirus disease (COVID-19) may hamper the Global Fund's ability to reach our strategic objectives by putting additional burden on already overstretched health systems in the countries we focus on. The Secretariat is actively engaged in anticipating and mitigating its impact, such as potential disruption in global pharmaceutical supply chains. Going forward, the Secretariat will continue using the risk processes to identify and respond to new risks which may present themselves.

¹ 72% of the current grant investments will be ending at 31 December 2020.

9. Also important to understand will be the broader global economic environment as well as fiscal space in implementing countries as domestic finance plays an increasingly significant role in the overall response in the fight to achieve progress on the 2030 Sustainable Development Goal (SDG) targets.

Changes in the operating environment

10. After the success of the sixth replenishment, the Global Fund has a responsibility to ensure we employ the USD 14 billion pledged as effectively as possible. With increased resources available, we are well positioned to be more ambitious and invest in mission-critical activities in the countries where change is needed but might fail. In addition to the size of the allocation, the partnership will need to allocate increased internal resources and be willing to innovate and take measured risks to deliver impact.
11. Informed by the Office of the Inspector General's (OIG) advisory report on Western and Central Africa, the Secretariat is taking action to increase absorption and impact in the countries in the region that bear some of the highest risks. It will be important that the Global Fund partnership invests the required effort to understand these countries even more deeply and effectively reduce bottlenecks to delivery of interventions and optimally balance the programmatic ambition for impact and fiduciary controls to mitigate related risks.
12. Absorption of funds continues to be a challenge in some of the countries where the Global Fund operates. While the increased resources made available by the successful replenishment represents an unparalleled opportunity to make an impact on the diseases, careful consideration must be given to the increased run rates that will be required of countries over time versus current spending. Ensuring optimal absorption across the portfolio will require careful planning, regular monitoring and more nimble and frequent portfolio optimization throughout the cycle.
13. From a fiduciary risk environment standpoint, the risk of fraud continues to evolve, as demonstrated by recent cases of procurement and data fraud at the implementer level. Procurement fraud in the Democratic Republic of Congo highlighted the need for continued vigilance, including amongst International Organizations, which are usually engaged as implementing partners in high risk context and as part of additional safeguard measures. The financial and fiduciary risk management will need to adapt to these changes by further prioritizing preventive measures over detective controls.

Implications for key risks/risk management and risk appetite

14. In the context of a changing epidemiological situation, where achieving impact will require the Global Fund to engage in more complex interventions and in areas that the partnership has not typically had to implement at scale, the importance of Program Quality and M&E as key drivers of risk becomes much higher. Increasing our focus on program quality and monitoring & evaluation will require a far more granular understanding of the epidemics and a more targeted approach.
15. Integrating human rights and gender considerations explicitly into program delivery will also be key to maximizing our potential impact on the three diseases. In particular, becoming more effective in HIV prevention for key populations and adolescent girls and young women is mission-critical. However, scaling up to the degree that is necessary is not something we can count on without concerted effort by the partnership.
16. As the interventions required to change the trajectory of the epidemics require a more targeted approach, there is a greater need to leverage the role of communities. Changing program objectives may demand that we revisit implementation arrangements in certain situations, leveraging implementers who will be most relevant in this context. For example, this may involve working more with non-governmental organizations at both national and international level with the capacity to

operate at scale and the ability to deliver difficult interventions with the most appropriate risk trade-off considerations.

17. The evolving context highlights the ever-critical role of the partnership to work together seamlessly, including in the development of the next Global Fund strategy. For its own part, there is greater need for Global Fund internal processes to be more efficient and effective with clearer roles and responsibilities, solid performance management and increased accountability for all contributors.

III. Key thematic risks looking forward

Introduction

18. The evolving epidemiological context and operating environment calls for a more forward-looking perspective. As such, this section focuses on key risk drivers where more attention is needed going forward, the key challenge areas and our priorities for 2020 and beyond.

Update on progress and action required in managing key thematic risks

Program quality

19. Delivering high quality programs is complex and requires coordinated efforts across the entire partnership. Despite this complexity and the limitations on the organization's influence, progress is being made and the Global Fund is on track to reach the target risk level of 'moderate' by June 2023.
20. Going forward, to achieve our ambitious objectives will require more innovation, calling upon the Global Fund to explore areas where the interventions and underlying evidence behind them are less straightforward. Fortunately, the Secretariat has laid a strong foundation upon which to take greater risk in delivering high quality, targeted programming, through RSSH investments in resilient and sustainable systems for health (RSSH) including strengthening data collection, quality and controls which facilitate better, more informed decision-making.
21. Globally we continue to make rapid strides in scaling up HIV prevention and treatment programs. By end 2018, of all people living with HIV, over 79% knew their status, over 62% were on antiretroviral therapy, and 53% were virally suppressed. However, the gap to global targets of 90-90-90 by end 2020 are significant and need a more harmonized and targeted efforts to reach the most vulnerable and hard to reach groups, and at the same time address policy and health systems-related bottlenecks to accelerate progress. Since 2010, new infections have declined by 16% and by over 41% among children. However, the incidence of new infections is not declining at the rate needed to reach epidemic control. The trajectory is being driven by concentrations of the epidemic in key populations and adolescent girls and young women (AGYW), areas which require far more targeted interventions and involvement of communities and NGOs. It also needs to be acknowledged that design, implementation and evaluation of the effectiveness and results/impact of HIV prevention programs are far more complex. However, this risk is getting the right level of focus by the Secretariat, with investments in building the internal capacity of the Global Fund's disease advisor teams, enhanced relationships with partners and the development of a more robust framework for monitoring, learning and evaluation, all of which set the stage for taking more balanced risks to deliver impact.
22. In malaria, reducing incidence in the highest-burden countries is a priority, where we are seeing reductions in mortality and morbidity. However, there are also instances of reversal of trends seen across several African countries, contributed to either by climate changes or local political and security considerations, making it harder to deliver services to the populations in need. Across several countries, especially in Eastern and Southern Africa, countries have used data to undertake sub-national malaria stratification and tailor interventions to drive efficiencies and maximize impact using

existing tools. Initiatives like ‘High burden to high impact’ and ‘Zero Malaria Starts with Me’ are facilitating political and technical momentum in the fight against malaria and these need to be translated into increased domestic investments for health, cross-sectoral collaboration, community mobilization and engagement of private sector.

23. In TB, we need to continue to do more of what we have done successfully in closing the gap on missing cases (reduced from 4.3 million in 2015 to 3 million by end 2018) and on improving treatment of MDR-TB. Through catalytic investments to find missing TB cases and additional USD 151M investments under Portfolio Optimization, Global Fund programs are on track to identify and treat over 1.2 million additional cases through 2019. Improved access to TB diagnosis and transition to newer regimens for MDR-TB are also yielding results, but we need to do it faster and at greater scale, as many cases still go undetected in the highest burden countries. This requires new strategies and enhances the need to work with all public and private health care providers to ensure availability of high quality TB care for all. Improved case notification through contact tracing will require the effective use of a range of systems, including stronger community systems to ensure TB patients are treated and monitored.
24. Over the years, the Global Fund has made significant investments to build resilient and sustainable systems for health (RSSH). During the 2017-2019 allocation period, the total RSSH investments account for 28% of the Global Fund’s total investments. In response to findings of three independent assessments by the Technical Evaluation Reference Group (TERG), Technical Review Panel (TRP) and OIG in 2019, the RSSH roadmap was developed and implementation is underway. Key priorities under the roadmap include improved funding request guidance, tools and templates to ensure RSSH investments are more focused and impactful, and emphasis to embed more systems thinking and promote cross-program integration, innovation, sustainability and differentiated approaches to investments in countries at different levels on the development continuum.
25. With increased attention to monitoring programmatic performance and gap to targets, the Secretariat is pursuing a risk differentiated approach to identify barriers to delivery of quality programs and supporting differentiated delivery models, engaging with partners to mobilize technical assistance to accelerate new policy and guideline adoptions, and working with governments, civil society organizations, private sector and implementing partners to position our investments for maximum impact and drive innovation in these areas. As stated in earlier reports, an overarching priority for the Global Fund in 2020 is working with countries to ensure we maximize on current allocations to improve programmatic coverage and set them up for success with the next funding cycle.

Monitoring & Evaluation

26. The M&E risk has been steadily decreasing over the past 18 months as systematic investments in scaling up and/or strengthening DHIS and HMIS systems have started to bear results, contributing to improvements in the timeliness, availability and completeness of data. The Secretariat is on track to achieve its Key Performance Indicator (KPI) 6d and KPI6e targets for 2019 for strengthening in-country HMIS systems. The percentage of countries that achieved all four components of KPI 6d increased from 26% in 2018 to 43% in 2019. Within this, the percentage of prioritized countries that achieved each of the sub-indicators also increased: HMIS deployment from 78% to 88%; integration of previously siloed disease reporting from 45% to 61%; reporting completeness from 78% to 88%; and reporting timeliness from 47% to 63% of countries. The Global Fund’s investments in the deployment, strengthening and maintenance of systems position us better for the next phase, which will focus on quality and use of data for decision making.
27. However, to achieve its mission, the Global Fund needs to step up its ability to deliver programmatic performance in-country. Ending the 3 diseases is becoming more technically challenging. To succeed, the Global Fund needs to become increasingly “obsessed with programmatic performance.” A fit for

purpose Monitoring, Evaluation and Learning (MLE) Framework will enable the Global Fund to best leverage scarce resources for optimal in-country outcomes and increase our ability to influence. It will also provide the necessary credibility and assurance to donors that funds are most effectively used, to drive trust and support.

28. Greater capacity for high quality, granular analysis is needed to support the growing complexity of the global disease response and better understand the root causes driving the epidemics. The Secretariat has established collaboration with 13 universities to provide demand-driven support to strengthen analytic capacity within the programs. Delivery of high quality programs will require more refined, targeted interventions underpinned by better data. In malaria, stratification can inform better understanding of malaria intensity and seasonality, identify hotspots and highlight areas of insecticide resistance. In HIV, efficient use of resources requires a more targeted approach. And the use of monitoring data for learning and course-correction is ever more important.
29. The role of evaluation, across the partnership and at country level, will also need to evolve, informing mission-critical decisions on what the right interventions are, as we enter into a territory of greater innovation and need for lesson-learning from taking more risks. The Secretariat continues to support assessments to measure service coverage, including those among key populations, national program reviews (with 68 of 87 planned reviews completed in 2019) and thematic reviews (8 mission-critical thematic areas on program and funding model undertaken) and evaluations.
30. As we continue to invest in M&E systems and data systems to achieve the desired level of maturity on timeliness and completeness, the indicators to monitor progress must also evolve. There is a need to build capacity and culture on use of data for decision making at various levels of the health care delivery system, and there is an opportunity and need to ensure we strengthen partnerships for data use at country level. At the same time, we must support institutionalizing periodic data audits to provide the necessary assurance to all users on the quality of data that informs program actions and national strategies.

Human rights and gender inequality

31. Human rights and gender related barriers, including gender and age-related inequities, can significantly limit the impact of Global Fund grants, driving up new infections and reducing uptake of health services and retention in care. Addressing these barriers remains a strategic priority for the Global Fund and continues to be mainstreamed in all aspects and stages of the grant lifecycle, including strengthening of risk assessments and development of tailored mitigating actions.
32. The Global Fund partnership continues to play a significant and critical role in identifying, prioritizing and mobilizing targeted support through technical assistance, engagement with government and communities and facilitating dialogue and advocacy on key policy initiatives and addressing barriers to access to services. Key actions that have been taken to mitigate the Human Rights & Gender Inequality risk include:
 - The Secretariat's 'Breaking down Barriers' initiative in twenty prioritized countries continues to see progress in providing differentiated support to comprehensively address human rights-related barriers and increase country ownership and commitment to long-term action.
 - Increased investment in programs to reduce human rights-related barriers to services, with a particular focus on Middle Income Countries (MICs), leading to a more than ten-fold increase in investment in the context of HIV and TB respectively since the last allocation period.
 - Training of Global Fund Country Teams on addressing human rights and gender related barriers and learning community established; Prevention and AGYW advisors embedded within the Grant Management Division (GMD) to increase technical assistance and coordination with implementing partners.

- Direct investment in long term capacity development programs for networks and organizations of key and vulnerable populations, including HER Voice Fund giving more than 200 small grants for AGYW engagement.
 - Launch of the Global Fund and Roll Back Malaria (RBM) Malaria Matchbox tool to support countries to document and analyze the human rights, gender and community related barriers to key malaria services and develop program targets accordingly.
33. However, in spite of several positive interventions and initiatives, significant challenges remain. With specific reference to scale-up of HIV prevention programs and addressing barriers to services among adolescent girls and young women, the Global Fund will need to explore strategies which focus on structural interventions to address the upstream factors that make adolescent girls and young women and key populations more vulnerable to the diseases. The Secretariat has been exploring novel approaches to scale-up comprehensive AGYW strategies including facilitating 'adaptive leadership' programs for beneficiaries and decision makers to design programs that address structural and culture barriers to services. Many more tailored approaches need to be tested and scaled-up. There is also a need for stronger engagement of other sectors including Ministries of education, information, youth empowerment, and sports, and civil society and communities to develop holistic programs for adolescents and youth through their active, informed and voluntary involvement in decision-making and to develop policies and programs addressing their needs.

In-country supply chain

34. Availability of quality-assured pharmaceutical and health products at the most peripheral service delivery point is a critical determinant in ensuring timely diagnosis, timely and adequate treatment and thereby contributing to reductions in morbidity and mortality and also addressing emerging challenges of anti-microbial resistance. A strong and resilient, people-centric in-country supply chain enables effective, efficient, and sustainable in-country distribution of health products up to the most peripheral health services delivery point.
35. Global Fund has approached this in two ways, continuing to invest through grants in building in-country supply chain systems to operate in a robust manner and concurrently prioritizing 16 countries with additional investments for diagnostics and capacity building (transformation). Ongoing supply chain system strengthening efforts in countries include improving planning and ordering process by deploying data and information systems, optimizing distribution cycles, commodity tracking, inventory management and national capacity building to improve people's access to product, inventory levels and optimize costs. This is all often in collaboration with partners including other donors and the private sector.
36. All of the 16 prioritized countries have progressed from the diagnostic to transformation phase and are at different stages in terms of on-the-ground implementation of transformation activities. Intensified monitoring and guidance by the Secretariat Supply Chain Steering Committee, approving and monitoring improvements in access to health products using On Shelf Availability (KPI 6b) as a Key Performance Indicator, and establishment of exception reporting on key project milestones delayed beyond 90 days has also served to drive shared accountability and help accelerate progress. Close collaboration with supply chain partners globally and at country level has been a highlight of the Supply Chain Transformation projects and contributes to alignment of strategies and harmonized investments at the country level.
37. Over the past year, momentum to advance many of the key mitigations to drive down the risk level has increased. Based on this increased momentum and activities planned or underway, the Global Fund is on track to reach the target risk level of 'moderate' by June 2023. However, progress depends not only on implementing supply chain transformations in all sixteen countries but also on driving all countries

to a stage where activities result in improved health outcomes. The transformation initiative is relatively new, and we will continue to learn from the success as well as from the operational bottlenecks. The scale of the challenge inherent in strengthening in-country supply chains means that multiple years of investment and cross-partner collaboration are required, including attention to human resource availability and capacity to sustain the gains.

Domestic financing

38. In the context of the Global Fund's ambitious investment case, which aimed to raise USD 46 billion from domestic sources, and the critical nature of long-term sustainability in global health financing, domestic resource mobilization for health is becoming increasingly important. The key challenges to achieving this goal include limited fiscal space, competing budgetary priorities, macro-economic factors which limit the ability of countries to increase their contributions to the health agenda, and inefficient use of existing resources. Addressing these challenges will require political will and strong leadership at country level. In view of these challenges, the Secretariat has placed significant attention on mitigating this risk through the establishment of the Domestic and Innovative Financing initiative, driving focus on a set of prioritized countries for an enhanced country support approach and regular monitoring and guidance by the internal Domestic and Innovative Financing Steering Committee.

Other areas that will continue to be important include:

Transition

39. That countries may struggle to successfully sustain current or required coverage levels as they transition to full domestic financing and program implementation remains an ongoing risk. Acknowledging that the Global Fund has limited influence on certain factors, such as political will, which are critical to the transition process, the Secretariat nonetheless recognizes the importance of working with countries to plan for a successful transition and address critical transition challenges. Key progress made in mitigating Transition risk in 2019 includes:
- Preparations for the 2020-2022 allocation cycle including enhancement of funding requests to strengthen the focus on sustainability, transition, co-financing and value for money; maintenance of the "tailored for transition" application modality and ongoing provision of transition funding to relevant diseases components; limited 2020-2022 allocation decreases and/or increases for many of the components in the "transition preparedness" cohort of the Global Fund portfolio; setting of co-financing incentive amounts and inclusion of tailored co-financing messages in allocation letters; and development of joint OIG, TRP, TERG and Secretariat recommendations to guide Sustainability, Transition and Co-Financing (STC) policy implementation in 2020-2022.
 - Continued emphasis on early transition and sustainability planning, including expansion of the portfolio focus of Transition Readiness Assessments or equivalents to foster early analysis and country planning to address longer term transition challenges.
 - Continued implementation of the Sustainability, Transition and Efficiency Strategic Initiative, including specific activities to support countries with transition planning and technical assistance for specific transition challenges, support for National Health Accounts and allocative, technical and cross-programmatic efficiency analysis.
40. Continuing to strengthen mitigation of this risk through implementation of the STC policy will require sustained focus on implementation of the joint recommendations discussed above, including robust, proactive planning and negotiation of strong new co-financing commitments, and systematic review of co-financing compliance via access to funding processes. Addressing risks related to domestic procurement of quality-assured health products through national planning, leveraging of Wambo.org and other pooled procurement platforms, and provision of relevant technical assistance will also be an area of focus going forward.

National program governance and grant oversight

41. National program governance and oversight is a key factor for effective management of grants, where poor national program governance and grant oversight contributes to underperformance, limited value for money, fraud and failure to achieve impact in programs supported by the Global Fund. Strengthening national program governance is a focus in the West and Central Africa region, where the Secretariat is working with governments to conduct individual country reviews aimed at taking action including to strengthen domestic leadership and financing. Completion of the Country Coordinating Mechanism (CCM) Evolution pilot in 18 countries in 2019 has laid a foundation for strengthening CCM oversight capacity, and plans are in place to roll it out to all High Impact, Core and Focused portfolios over the course of the next funding cycle.

IV. Status of the overall risk profile and risk levels relative to Risk Appetite

Status of the overall risk profile: current risk levels, target levels and future outlook

42. The Global Fund's overall risk profile remains stable to slightly improving.

Risk levels relative to Risk Appetite

43. The Board has approved risk appetite statements for eight grant facing risks and one corporate, externally facing risk: foreign exchange. The current risk levels for the eight grant facing risks continue to be within the approved risk appetite.

Risk	Residual risk level Q2 2019	Risk appetite	Target
1. Program Quality	High	High	Moderate
2. M&E	High	High	Moderate
3. Procurement	Moderate	Moderate	Moderate
4. In-Country Supply Chain	High	High	Moderate
5. Grant-Related Fraud & Fiduciary	Moderate	Moderate	Moderate
6. Accounting & Financial Reporting by Countries	Moderate	Moderate	Moderate
7. National Program Governance & Grant Oversight	Moderate	Moderate	Moderate
8. Quality of Health Products	Moderate-low	Moderate	Moderate

Trajectory to target levels

44. As discussed above, raising the bar to respond to the evolving epidemiological context and meet our ambitious objectives will require some incremental risk-taking. The Secretariat's relative weighting to the root causes that drive these risk levels will also need to be adapted so we are driving focus and prioritizing mitigations that address the most relevant ones in the evolving context. Below is a summary of the anticipated impact on the trajectory to target levels.
45. For Program Quality risk, the Global Fund remains on track to reach the target risk level of moderate by June 2023, however, taking into consideration the evolving external environment and anticipated focus of our interventions in the next allocation cycle, it can be expected that the trajectory for Program Quality risk will be more uneven looking forward.
46. In a similar vein, the trajectory of M&E risk will be choppy because of increased demands and evolving requirements. As the drivers of risk are dependent on what we are trying to achieve, the Global Fund is rethinking how our M&E needs will change in a variety of areas, including relevant indicators, level of disaggregation, quality, analytical capacity and greater use of results. However, given the significant

investment made in in-country HMIS (DHIS2) in recent years, the Secretariat continues to expect to get to a risk level of moderate by mid next year.

47. With renewed focus and momentum in building Supply Chain capacity in selected countries, the Supply Chain risk is on track to achieve the target risk level of moderate by 2023.

V. Advancing the maturity of risk management, internal controls and governance

48. The Global Fund has made significant investments over the past few years to advance the maturity of risk management, internal controls and governance. The objective was to have i) well established and functioning systems, processes, tools and practices that help us manage risks in an efficient and effective manner to achieve our strategic objectives and ii) a framework that is responsive and can adapt to changes in the external environment and our goals. It is important to recognize that a mature framework was not in of itself a goal, but a key enabler to meeting objectives to identify, mitigate and monitor the key drivers in an efficient and effective manner.

Progress towards reaching Embedded

49. The Office of the Inspector General uses a rating scale for measuring the maturity of risk management, internal controls and governance with six levels along a continuum. The Embedded level of maturity is defined as: **“Internal controls, governance and risk management processes have been defined and are embedded in everyday management practice. However, there is insufficient close supervision or active management of these processes and/or they are not consistently measurable. It is likely but uncertain that they will allow the organization’s operational and strategic objectives to be met.”**
50. In the OIG’s 2018 Annual Opinion, published in May 2019, the OIG confirmed that the business functions of Finance and External Relations had reached an Embedded level of maturity. However, the OIG’s view was that for the organization as a whole to be Embedded more work was needed to advance the maturity of grant management, supply operations, risk management and governance.
51. In his May 2019 Annual Opinion to the Board and a subsequent update to the Audit and Finance Committee in July 2019, the Chief Risk Officer stated that the Global Fund was on track to reach an Embedded level of maturity, in aggregate, by late 2019. A set of specific actions that would need to be completed to reach Embedded within the year were identified. Key gaps included:
- Risk Management: Advancing the use of risk appetite and establishing second line oversight of internal controls;
 - Grant Management: Completing the build-out of the internal monitoring and control environment;
 - Supply Operations: Increasing momentum behind in-country supply chain transformations and completing the build-out of the internal monitoring and control environment; and
 - Governance: Continuing to strengthen governance processes.
52. In the November 2019 Risk Report to the Board and his verbal comments, the Chief Risk Officer affirmed that as a result of significant effort by the Secretariat, all outstanding actions in 2019 had been completed and the Secretariat had submitted evidence as requested by the OIG by the agreed deadline of October 2019. OIG started their review of the evidence in November 2019.
53. Key actions taken over the course of 2019 to complete the outstanding actions to reach ‘Embedded’ are summarized below.

Advancing the use of risk appetite

54. Operationalization of risk appetite began in mid-2018, following Board approval of the Risk Appetite Framework and risk appetite and target risk levels for 8 grant facing risks and 1 non-grant facing risk. Risk appetite is now embedded into grant management decision-making processes and routinely used for risk trade-off decisions and risk acceptance in Country Portfolio Reviews (CPRs) and the Country Risk Management Memorandums (CRMM) process, leading to more effective balancing of fiduciary risk and programmatic impact. It is also being used in OIG country audits for comparative analysis of risk levels.

Completing the build-out of the internal monitoring and control environment for Grant Management

55. The internal control environment for grant management processes has continued to be strengthened in 2019 through the continuous improvement of core grant lifecycle processes and related operational policies, operationalization and ongoing enhancement of the Grant Operating System (GOS) solution and the development of a comprehensive suite of performance dashboards through the Grant Management Data and Analytics (DnA) initiative. In addition, there has been continued progress in implementation of improvement actions to address control weaknesses identified through four Key Process Business Reviews to assess alignment with the principles of the COSO Internal Control – Integrated Framework.
56. In the second half of 2019, significant progress was made to build out first line control monitoring, performance and exception reporting. Exception reports, which highlight deviations from established policies/procedures that have an elevated level of risk to generate evidence that controls are working as intended and drive corrective actions as needed, are a hallmark of Active Management. Exception reports for selected grant management processes were developed via a systematic approach, piloted in July and fully implemented in September 2019 to facilitate first line monitoring and second line oversight through monthly reporting to the Head, Grant Management and the CRO.
57. Leveraging DnA process performance dashboards and Exception Reports, a quarterly control monitoring review has also been established within the GMD Directorate. With these efforts now forming a standard part of grant management routines at the management level, the outstanding action to build out the control environment for GMD is complete.

Increasing momentum behind in-country supply chain transformations

58. In-country supply chain transformations are a pillar of the Global Fund's Supply Chain Strategy and a key initiative for supply chain strengthening. Despite initial challenges in establishing momentum, there has been good progress due to reorganization of the Supply Operations department with a focus on implementation of in-country transformations across 16 prioritized countries; formalization of collective performance targets across Supply Operations and Grant Management; and monthly review of progress in key countries by a senior management Steering Committee.
59. As of July 2019, multi-year transformation activities were underway for more than half of the prioritized countries. By the end of 2019, transformation workstreams for Global Fund funded workstreams have been signed off for all 16 priority countries and momentum is being maintained with regular senior management oversight through the Steering Committee. Given the scale and complexity inherent in driving change at the country level, continued focus is needed to ensure the increased momentum is maintained and translates into execution on the ground.

Completing the build out of the internal monitoring and control environment for Supply Operations

60. In addition to driving in-country supply chain transformations, strengthening the internal control environment for Supply Operations was a priority in 2019. As with GMD, the focus has been on

establishing internal control monitoring and reporting to close the feedback loop to ensure controls are working as intended for all Supply Operations processes.

61. As with GMD, enhanced reporting, including exception reporting, was established and is now reviewed at the Steering Committee. Given the number of disparate processes (Supply Chain, Direct Procurement and Indirect Procurement) and significant organizational changes, these processes are not as mature as in GMD and continued focus will be required to maintain the progress. While opportunities for continuous improvement will continue to be pursued by the Secretariat, with the establishment and operationalizing of these monitoring, reporting and review processes, this outstanding action is complete.
62. Second line oversight of internal controls for key business processes has also been strengthened, with the establishment of exception reporting for key grant management and supply operations processes.

Continuing to strengthen governance processes

63. Governance processes have continued to be strengthened. A majority of actions in the Governance Action Plan have been achieved, driving increased maturity of the function and demonstrating attention and prioritization by the Board and committees. Actions that are still in progress, primarily in the areas of Board size and culture, reflect those for which changes in the ways of working will take time and continued focus, allowing infrastructural and process changes time to become institutionalized.

Other key initiatives that are continuing to advance the maturity

64. In this journey, our goal has always been to build and operationalize a fit for purpose risk management, internal controls and governance framework that works for the organization given our context and objectives, which can evolve in response to changing needs, not just meet the definition of Embedded.
65. As a consequence, there are numerous initiatives that have been undertaken or are underway that are 'cutting edge' even in the context of highly developed financial institutions and go beyond the definition of Embedded. The Secretariat embarked on these initiatives because we believed the positive impact would help us achieve our strategic objectives. These include:
 - Work on the **Performance & Accountability Framework** began in late 2018 with the goals of advancing process and control maturity, driving efficiency and effectiveness by increasing the use of performance metrics, and supporting management decisions by informing budgeting, workforce planning and performance management. These aims extend well beyond process control, to leverage the level of process performance as an indicator of issues and hence effective control. Led by the Management Executive Committee (MEC), action plans were developed and are being completed to advance the maturity of 47 processes which will result in, among other things, clearer roles and responsibilities. Efficiency and Effectiveness metrics were set up for each of the processes and are being reported to and discussed at MEC on a quarterly basis. After two quarters of experience, these metrics have just been amended and will be used for 2020. This is driving transparency and accountability at the process owner level. Subject to continued adoption, this will be a key enabler in driving further improvement in our internal processes.
 - **DnA** dashboards have given the Secretariat a high level of transparency of the performance of grant management processes at a highly granular level. The dashboards are leading to more active management of our key processes, while the organization continues to learn how to use them more effectively. Also, as mentioned earlier, the roll out of structured **exception reporting** is enabling more active management.
 - That our focus extended beyond just meeting the identified gaps is also reflected in the progress made in other areas such as **Information Technology (IT) and Human Resources (HR)**.

Key advances in HR include establishment of the Unified Competency Framework, completion and implementation of Phase 1 of the Total Rewards and Benefits Review, completion of the strategic and operational workforce planning pilot, and launch of the 'Elevate' leadership development program. In IT, completion of ISO-27001 certification to ensure security controls are in place for Treasury and IT operational management processes was a key development in 2019. Establishing end-to-end disaster recovery, implementing business continuity management and strengthening vendor management will continue to enhance risk management and controls in the coming year.

What comes next

66. Having successfully completed the requirements to reach an Embedded level of maturity in 2019, it is appropriate to step back and reflect on whether we have achieved the goal of enabling the organization to manage risks in an intelligent manner, take appropriate risks and achieve its objectives. The Secretariat's objective has also been to develop a system which balances what is needed to manage risks with the costs and trade-offs involved, level of risk, and maturity of the organization. We believe additional investment into further enhancing the risk management framework over and above completing the controls that are planned and/or in flight, needs to be carefully considered using a risk/reward lens. Instead, having invested this effort, it is critical that the Secretariat uses what has been built to derive value and adapt/adjust the model as needed over time. Going forward, it will be important to:
- Guard against the desire for continued building: Coming at the end of a period of building, there is a natural tendency to fix and/or recommend fixes for any gaps with more building. However, every time a control doesn't function as intended, we need to use the reporting and transparency that has been generated to understand the root causes and remediate in a targeted way, not layer on more controls; and
 - Embed a culture of continuous improvement by looking for opportunities to streamline, simplify and optimize: As these processes get more embedded, there will be opportunities to rethink our assurance model. Led by the Audit and Finance Committee (AFC), the Secretariat and OIG are embarking on this exercise, beginning with mapping the three lines of defense and assurance.

VI. Chief Risk Officer's Annual Opinion

67. The Chief Risk Officer provides an annual opinion on the maturity of the Global Fund's risk management, internal controls and governance.

Developing the annual opinion

68. As in the last three years, the Secretariat has developed a view on the organization's current position on the OIG's maturity scale for risk management, internal controls and governance. In formulating this opinion, the Secretariat has drawn from a range of sources, including, amongst others: a) progress in closing the remaining gaps for reaching an Embedded state and other significant Secretariat initiatives such as the Performance and Accountability initiative as outlined above; b) routine reporting to the Committees and Board on the journey to strengthen risk management and internal controls, including gaps and how they have been addressed; and c) progress on thematic areas highlighted in the OIG's Annual Report and Operational Progress report from 2018.
69. As a reflection on the work of the Secretariat to advance organizational maturity, the opinion also leverages greater visibility enabled through the introduction of DnA operational performance dashboards, response to exception reports, positive trends in completion of OIG Agreed Management Actions and in bringing the total outstanding (OIG-identified) recoverable balance to below USD \$1M, and response to risks as they materialize. It also considers the improved analytical rigor and the

increased maturity of decision-making within Secretariat processes such as Portfolio Optimization, Grant Approvals Committee reviews, Country Portfolio Reviews and Enterprise Portfolio Reviews.

70. The Secretariat has also conducted in-depth interviews with groups of 2-3 members of senior management (MEC and MEC -1 level) to gather their perspectives on the organizational maturity of risk management, internal controls and governance. Leveraging a broader range of questions, the survey employed a more outcome-based approach than in previous years and focused more on the practical implications of advancing maturity.

Secretariat's opinion

71. The view of the Global Fund's senior management is that the organization has **reached** an **Embedded level of maturity** by the end of 2019 and has laid the **institutional foundation** required to continue a positive maturity trajectory, as summarized below.
72. The **risk management framework** is working effectively. The right risks and root causes are being effectively identified and revisited by the Secretariat on a regular basis, facilitated by the use of the Integrated Risk Management (IRM) module, which helps teams to systematically assess risks and their root causes. A process is in place to define and prioritize mitigating actions (that have been agreed between the first and second lines of defense), driving focus on actions which are critical to the achievement of grant objectives, and the Secretariat is monitoring their completion.
73. When **risks materialize**, the Secretariat is able to effectively course-correct, with rapid response to emergencies and structures that bring together the right people in a coordinated manner to react quickly to risk events.
74. Risk management is built into each of the core grant management processes that generate **decision-making** by the Secretariat, spanning TRP and Grant Approvals Committee (GAC) review processes at the outset of the funding cycle through to routine progress reporting and Annual Funding Decisions during grant implementation.
75. Within the Secretariat's key business processes, well designed and effective **internal controls** are contributing to reaching the right outcomes, with disciplined decision-making underlying each of the major milestones across the grant lifecycle. The Performance & Accountability Framework is in place to drive performance and continuous improvement. Forward-looking operational performance dashboards provide early warning signs, which are being used for decision-making by senior management, while formalized exception reporting is driving management attention and ensuring appropriate corrective action is taken when exceptions are detected.
76. Demonstrable progress has been made in advancing the maturity of the **governance** of the Global Fund, with the outcome on Committee membership reached in 2019 representing a significant step forward. The evolution of the Coordinating Group also reflects progress in demarcating how the Committees provide leadership around cross-cutting issues.
77. Significant progress has also been made to advance risk management and improve business processes in the **Human Resources** and **Information Technology** functions, with the completion of the Total Rewards and Benefits Review, strategic and operational workforce planning pilot and 'Elevate' leadership development program, as well as completion of ISO-27001 certification to ensure information security controls are in place for key operational processes.

78. In the context of an uncertain operating environment, the risk management framework is achieving its purpose, as it provides a common language and structure for thinking about and making trade-off decisions, in a more evidence-based and timely manner.
79. The Secretariat's vision, as articulated in previous reports, continues to be to reach an overall target maturity level that is between 'Embedded' and 'Actively Managed and Formalized' in the medium term. Taking into consideration value for money and external factors, the Secretariat does not consider a target of 'Optimized' to be appropriate.
80. The Chief Risk Officer concurs with the assessment of senior management. At an aggregate level, the organization has successfully reached an Embedded level of maturity in 2019. This accounts for business functions including Finance and External Relations that have already reached this maturity level as well as Grant Management, Supply Operations, governance and risk management which have reached this level as a result of significant progress to close remaining gaps in 2019.

VII. Conclusion

81. Despite the fact that the Global Fund operates in difficult operating environments and many of the risks we face in achieving our mission are systemic and long term in nature, we have been able to manage these fairly effectively and have accepted them where necessary to deliver impact. As a result, the risk profile has been steady to slightly improving. Looking forward, to respond to the evolving epidemiological context and meet our ambitious objectives will require us to be more agile, leverage the strength of the broader partnership, take well-informed risks, and continue to adapt to the rapidly changing context.
82. While we have successfully built and operationalized a strong risk management and internal control framework, it will be important to continue to actively use it, as it will get better and more effective with use. As an enabler to achieving our mission, we will need to continuously adapt the framework, especially as the risks or objectives change, to ensure it remains relevant and fit-for-purpose.

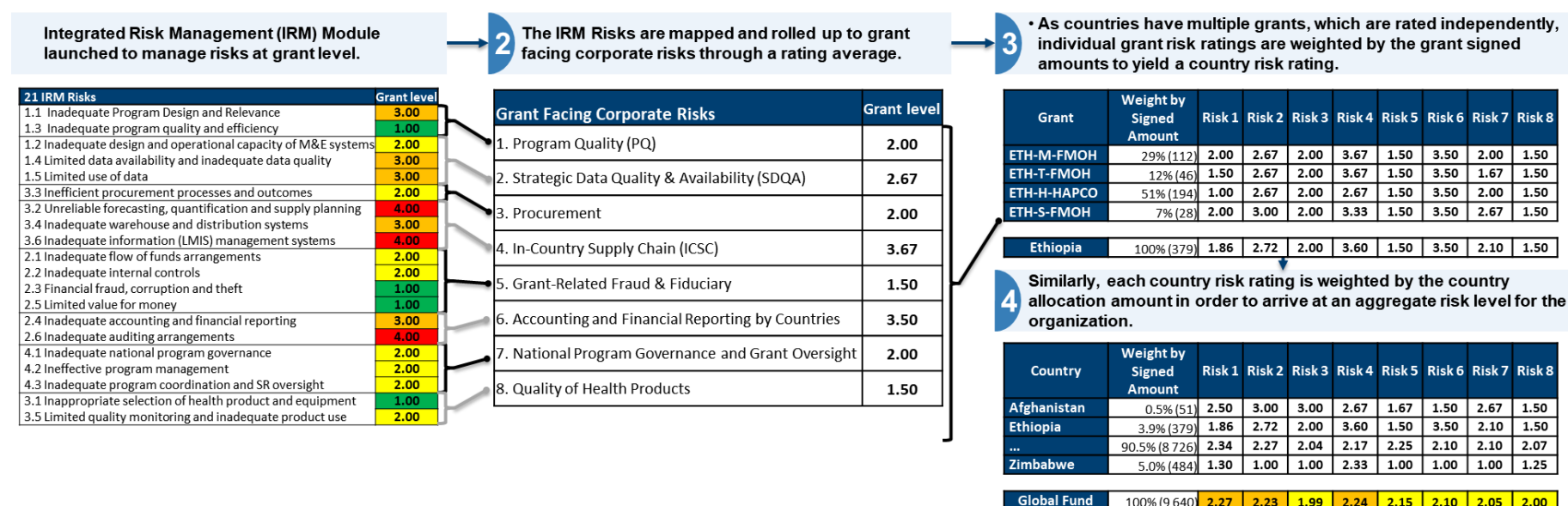
Annexes

The following items can be found in Annexes:

- Annex 1: Risk levels relative to risk appetite
- Annex 2: Organizational Risk Register, 2019 Q4 update
- Annex 3: Guide to risk management

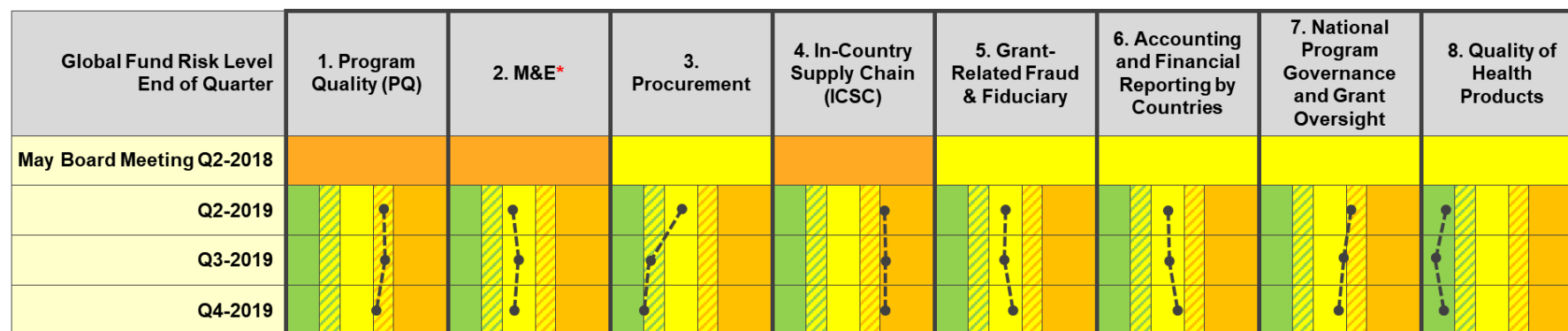
Annex 1: Risk levels relative to risk appetite

The Global Fund uses the Integrated Risk Management (IRM) module to record all grant related risks and their respective ratings. The individual IRM risks are rated by grant and then consolidated and aggregated to an organizational level through a bottom up approach as described in the illustrative example below:



The risk level at the Global Fund is then determined by where the risk value falls on the risk band. However, because organizational risk levels are defined based on hard boundaries, they can create cliffs i.e. the organizational risk levels can change due to minor movement in underlying components. To avoid this, a requirement has been introduced so that a risk level can move to a lower risk level only when it is at least 10 base points into the range.

- Based on the aggregation as described previously, the organizational risk levels for end of Q4, 2019 are presented below.



- While there are five (5) risk bands that are used to assess the Global Fund risk level, the above displays only '● - Moderate/Low', '● - Moderate' and '● - High'. This representation is because none of the Global Fund risks have a '● - Low' or a '● - Very High' risk rating, hence they are excluded from the visualization. The shaded area for each of the risk levels represents the '10 base point' easing into the next risk level band.

Annex 2: Organizational Risk Register, 2019 Q4 update

Risk trajectory/ change in risk levels

- Risk Management & Internal Controls: Reduced from 'High' to 'Moderate' and trajectory changed from decreasing to steady. Having reached an Embedded level of maturity for risk management, internal controls and governance, the risk levels are reduced from high to moderate. The trajectory is expected to remain steady at this level in the medium term.
- M&E: The risk level is 'High' with decreasing trend. The risk has been reducing as a result of significant investments in in-country systems (DHIS2). As our risk measurement methodology is focused primarily on data timeliness and completeness, the IRM consolidation results in this risk to be at a 'moderate' level. However, to reflect the lack of information on other components of M&E system, the risk remains qualitatively adjusted. Reducing the level of risk from 'high' to 'moderate' would require improvements in data quality and use.
- Integrated Grant Policies, Processes, Systems & Data: No change in direction of travel. Downward direction continues to be driven by successful roll out of GOS and implementation of the Performance & Accountability Framework.

ORR Risk Summary - Q4 2019

Risk type	Risk name	Residual risk	Risk Appetite	Change since last quarter	Direction of travel		Global Fund ability to mitigate	
External: grant facing	1. Program Quality	High	High	No change	Steady	→	Moderate ability	★★★
	2. M&E	High	High	No change	Decreasing	↓	Moderate ability	★★★
	3. Procurement	Moderate	Moderate	No change	Steady	→	Significant ability	★★★★
	4. In-Country Supply Chain	High	High	No change	Steady	→	Moderate ability	★★★
	5. Grant-Related Fraud & Fiduciary	Moderate	Moderate	No change	Steady	→	Moderate ability	★★★
	6. Accounting & Financial Reporting by Countries	Moderate	Moderate	No change	Steady	→	Significant ability	★★★★
	7. National Program Governance & Grant Oversight	Moderate	Moderate	No change	Steady	→	Moderate ability	★★★
	8. Quality of Health Products	Moderate-low	Moderate	No change	Steady	→	Moderate ability	★★★
	9. Human Rights & Gender Inequality	High	Not applicable	No change	Steady	→	Minor ability	★★
	10. Transition	High	Not applicable	No change	Steady	→	Minor ability	★★
	11. Drug & Insecticide Resistance	High	Not applicable	No change	Steady	→	Moderate ability	★★★
	12. In-country Conduct & Ethics	Moderate	Not applicable	No change	Steady	→	Moderate ability	★★★★
External: other	13. Foreign Exchange	Moderate-low	Moderate-low	No change	Steady	→	Significant ability	★★★★
	14. Future Funding	Moderate	Not applicable	No change	Steady	→	Moderate ability	★★★
Corporate	15. Internal Operations	Moderate	Not applicable	No change	Steady	→	Significant ability	★★★★
	16. Integrated Grant Policies, Processes, Systems & Data	Moderate	Not applicable	No change	Decreasing	↓	Significant ability	★★★★
	17. Risk Management & Internal Controls	Moderate	Not applicable	Reduced	Steady	→	Significant ability	★★★★
	18. Legal	Moderate	Not applicable	No change	Steady	→	Moderate ability	★★★
	19. Governance & Oversight	Moderate	Not applicable	No change	Steady	→	Moderate ability	★★★
	20. Organizational Culture	Moderate	Not applicable	No change	Steady	→	Significant ability	★★★★
	21. Workforce Capacity, Efficiency & Wellbeing	Moderate	Not applicable	No change	Steady	→	Significant ability	★★★★
	22. Reputation	High	Not applicable	No change	Steady	→	Moderate ability	★★★

1. Program Quality							
Risk description				Risk owner	TAP		
Inadequate quality of programs/services funded by the Global Fund, which results in missed opportunities to maximize improvement of measurable outcomes in the fight against the three diseases and the effort to strengthen resilient and sustainable systems for health.		Residual risk	High	IRM category	Programmatic & M&E		
		Risk appetite	High	Change since last quarter	No change		
Risk impact		Target risk	Moderate	Direction of travel	Steady	➡	
Poor adherence to international standards for prevention, diagnosis and treatment, and poor adherence to treatment regimens, contributing to drug resistance, treatment failure and heightened disease burden. Ineffective vector control contributing to insecticide resistance. (The impact is exacerbated in high-risk environments that account for a significant portion of Global Fund investments.)		Target risk timeframe	Jun.23	GF ability to mitigate	Moderate ability	★★★	
		Action being taken to reach target	Focus is on strengthening identification of improvement opportunities through reviews, monitoring and enhanced use of data, and further promotion of differentiated approaches and service delivery integration. (Overarching mitigations are captured below and under the Human Rights & Gender Inequality and Drug & Insecticide Resistance risks.) Good progress being made.				
		Key partners					
		The Global Fund's bilateral and multilateral partners have the capacity and opportunity to influence but not control program quality risk					
Root causes		Key countries					
1 Insufficient and inadequate use of data for the appropriate design of quality and efficient programs aligned with epidemiological context, combined with insufficient monitoring and surveillance.		Top 25 countries by allocation amount					
2 Interventions and targets not based on programs' context or not addressing National Strategic Plan priorities.							
3 Key interventions not sufficiently focused on populations most in need of services, or well-linked to achieving program outcomes.		Nigeria	Zimbabwe	Kenya	Indonesia	Ghana	Sudan
4 Guidelines/tools to review quality of services are not available or programs are not routinely reviewed.		Tanzania	Uganda	South Africa	Côte d'Ivoire	Cameroon	Viet Nam
5 Programs do not adhere to approved national or WHO guidelines e.g. medicine formulations, diagnostic tools, laboratory, procurement, patient identification, prevention, care and treatment or adherence to ART or TB treatment, or there is an absence of a clear framework to guide decision making.		DRC	Malawi	Zambia	Rwanda	Bangladesh	Ukraine
6 Poor quality of health products and unstable drug supply.		Mozambique	Ethiopia	Myanmar	Pakistan	Burkina Faso	Mali
7 Inadequate staff capacity working in environments that are often not sufficiently supportive (gaps in training, support and supervision, misaligned incentives, etc.) and inappropriate use of drugs.		India					
Current controls & mitigations		Assurances					
1 Refocusing on grant programs' quality and efficiency, within current budget limitations, through strengthening in country review and dialogue with partners to identify opportunities to improve quality and leverage partner technical, financial and political resources accordingly.		1 Routine Programmatic analysis					
		2 National or disease specific reviews					
2 Strengthening focus on measurable outcomes that drive impact, enhancing data use for action and improvement, leveraging efficiencies to maximize value for money and strengthening mutual accountability, including roll-out of the Data Use for Action and Improvement framework (DUAP), inclusive of indicators on measuring program quality, which is fully aligned with the 2018 Corporate Priority 4 on Data systems for health and use of data for program quality and efficiency improvement.		3 National Health Facility Assessment					
3 Promoting differentiated approaches and integrated service delivery models to achieve impact in diverse country contexts, including at community level, supporting efforts to find missing TB cases.		4 Population based surveys					
4 Global Fund grants support countries to implement changes to drug policies when necessary, accelerate uptake of innovation and behaviour change communication for disease prevention and support programs to improve treatment adherence.		5 Routine monitoring (community/ facility)					
5 Strengthening review of quality at Secretariat level through country-specific and cross-portfolio reviews by the Portfolio Performance Committee, to identify gaps and opportunities for improvement.		6 Partner reviews					
		7 Program quality spot checks					
6 Strengthening monitoring of drug and insecticide resistance to ensure optimal choices of interventions for maximum impact and improving surveillance and enhancing entomological capacity at country level (to inform vector control strategies and track their impact on malaria transmission, focusing on the 10 highest burden countries).		8 Country evaluations					
7 WHO normative guidance regarding appropriate treatment guidelines and protocols in place. Global Fund support for implementation of new WHO guidelines, including guidelines in Drug Resistance TB, innovation initiatives including the Innovation 2 Impact Initiative to develop and deliver new vector control products, and development of new and innovative disease management strategies.		9 Thematic reviews					
8 Ongoing dissemination of best practices and practical guidance by Technical Advice and Partnerships, including quality standards and normative guidelines.		10 Prospective Country Evaluations					
9 Aligning program and data quality assurance with overall Risk and Assurance Planning.							
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status		
1 Strengthening integrated service delivery: Integration of HIV, TB and malaria services into broader service delivery platforms (i.e.-ANC/PNC, PHC) through technical partners and implementers.		Underway	Dec.20	TAP	Risk mitigation is on track. There are no material delays.		
2 Differentiated HIV testing to improve efficiency and effectiveness for first 90 (90-90-90 Global Target). Work with technical partners to improve effectiveness of HIV testing, focus, yield and linkages to treatment for positives and prevention for HIV negative individuals. Scale up differentiated service models in 8 countries. Budget implication of US\$ 750.000 for implementation TA on testing yet to be sourced.		Underway	Dec.20	TAP			
3 TB: Catalytic funding of USD115m to find an additional 1.5 million missing TB cases in 13 priority countries through: o Identification of gaps in country plans; o Technical assistance to elaborate activities to finding the missing TB cases and; o Development and adaptation of new tools and approaches for finding missing TB cases tailored by countries As at the end of Q3: 1 million additional TB cases have been identified. All tools developed to facilitate acceleration in the next cycle. Secretariat on track to achieving 1.2 million additional TB cases (80%) by Dec 2019).		Underway	Dec.20	TAP			
4 Accelerating elimination of malaria in 20 countries, through technical assistance and the use of catalytic funding of USD 7m. As at the end of Q3: 4/21 E2020 countries have been certified malaria-free, of which 3 are Global Fund supported. 9 additional countries remain on track to reach zero indigenous cases by 2020.		Underway	Dec.20	TAP			
5 Catalyzing market entry of new LLINs through pilots in a number of high burden countries in Western Africa which have intense pyrethroid insecticide resistance. Includes USD35m in catalytic funding. As at the end of Q3: Distribution of the Next Generation LLINs to commence in Q4 2019 in 2/3 countries selected in 2019).		Underway	Dec.20	TAP			
6 Further support for implementation of new guidance and action planning related to: - TB: Support to countries for implementation of new guidance and action planning related to drug resistance TB through the TB Strategic Initiative (includes updated GLC MoU; transition to the new MDR-TB regimens); - HIV: Working with sourcing, GMD and partners (such as PEPFAR) on TLD transition and NVP switch in all HIV tier 1 countries with particular focus on PEPFAR countries. Internal technical brief issued by GF (January 2019) to support fast and safe transition to new WHO regimens.		Underway	Dec.21	TAP			
7 Leveraging RSSH catalytic funding to strengthen integrated service delivery, human resources for health, governance for cross program efficiency, and scale up of best practices through south-to-south collaboration and peer learning. As at the end of Q3: New methodological approach and tools to monitor results and assess the impact for Human Resources for Health investments developed & piloted; and systematic TA provided across GF grants on RSSH.		Underway	Dec.20	TAP			
Additional activities		Next steps					
1 Embed, operationalize and systematize the approach to addressing gender inequality through mainstreaming the use of sex and age disaggregated data in grant design, implementation and re-programming through improved program and data quality.		Initiate cross-departmental discussion including CRG, TAP and GMD to agree the approach to integration.					

2. M&E							
Risk description			Risk owner	TAP			
	Poor quality and/or unavailability of program data due to weak in-country M&E systems that do not lead to proper planning decisions and efficient investments and therefore hamper programs' ability to reach their targets and health impact.	Residual risk	High	IRM category	Programmatic & M&E		
		Risk appetite	High	Change since last quarter	No change		
Risk impact	Target risk	Moderate	Direction of travel	Decreasing	↓		
Poor quality data can impede implementers' management of quality programs and the Global Fund's ability to assess their impact. This can result in programs with improper focus on relevant interventions and beneficiary populations and failure to achieve desired public health impact.	Target risk timeframe	Jun.21	GF ability to mitigate	Moderate ability	★★★		
	Action being taken to reach target	List of prioritized countries has been finalized where focus will be on strengthening in-country data systems and systems integration, and capacity building. (Overarching mitigations are captured below.) Good progress being made with significant momentum.					
	Key partners						
	Root causes						
The World Health Organization, GAVI, Gates Foundation and University of Oslo have a moderate ability to mitigate Strategic Data Quality and Availability risk.							
Factors at both country and Secretariat level affect the accuracy and use of data to inform appropriate programmatic and financial decisions:		Key countries					
		Top 25 countries by allocation amount					
1 Insufficient human and financial resources and infrastructure		Nigeria	Zimbabwe	Kenya	Indonesia	Ghana	Sudan
2 Weak management at country level		Tanzania	Uganda	South Africa	Côte d'Ivoire	Cameroon	Viet Nam
3 Inadequate supervision		DRC	Malawi	Zambia	Rwanda	Bangladesh	Ukraine
4 Poor analytical capacity		Mozambique	Ethiopia	Myanmar	Pakistan	Burkina Faso	Mali
5 Sub-optimal access to and use of program data		India					
6 Inadequate national M&E and HMIS Strategy with costed work plans							
7 Incomplete, multiple or non-functional in-country data systems and data sources							
8 Fraud of program and performance data							
Current controls & mitigations		Assurances					
1 Grant supported investments for strengthening of in-country M&E systems, including routine monitoring of facility and community systems rollout and maintenance.		1 Country/ Portfolio Evaluations					
2 Developed Global Fund Data Use for Action and Improvement Framework for 2017 – 2022 and operational guidance to guide how the Global Fund supports countries in strengthening their data collection and analysis capacity in order to ensure good quality data and analyses are available at country level and used for decision making during all stages of the program cycle, and the use of identified 3rd party service providers for data quality assurance.		2 National Data Quality Reviews (DQR)					
3 Through Catalytic Funding/MECA operations (USD 20m for Strategic Initiative) for Data Systems, agreements with partners on outcome deliverables to ensure: (i) availability of normative M&E tools and guidance, (ii) integration of disease reporting within countries' national HMIS with epi-based analytical dashboards with integration achieved in 20 countries to date, and (iii) inclusion of new functionalities / software applications into countries' national HMIS to more readily assess data quality (e.g. WHO Data Quality Review app for DHIS2).		3 Data quality spot checks					
4 Through Catalytic Funding /MECA operations, joint plan established on strengthening HMIS systems with HISP University of Oslo (DHIS) and WHO through the Strategic Initiative funding for Country Data Systems 2017 - 2019. Contracts established (Q1 2018, the plan is now fully operational). Six monthly reporting established.		4 Review of data systems (community/facility)					
5 Through Catalytic Funding for Data Systems, development of a pool of universities and local institutions to strengthen analytical capacity using local network of universities: workplan for strengthening analytical capacity done in 11 countries.		5 National or Disease Specific Program Reviews					
6 Through Catalytic Funding for Data Systems, development of a pool of providers to increase availability of Technical Assistance for M&E. Consultants in the pool (135) for deployment in 50 countries have been recruited and trained. 64 demand driven M&E TA deployed across 10 technical areas in 38 countries, additional 8 at initial planning stages.		6 Routine Programmatic analysis (use for Data Quality triangulation)					
7 Systematic roll-out of evaluations in most focus portfolios. 68/87 program evaluations completed in GF Focused Portfolio countries by the end of Q4 (83% of target achieved). The remaining ones are moved to 2020 to better align with the portfolio cycle.		7 Partner reviews					
8 Guidance note on key areas for M&E investments issued and being used by Country Teams during country dialogue and grant making.		8 Prospective Country Evaluations					
9 Rigorous assessment of key population service coverage in 65 countries, with in-depth review in 32 countries and desk reviews for 33 countries completed. Recommendations for systems improvement being put in place.		9 Thematic Reviews					
10 Systematic tracking of KPI16d (% of countries with fully deployed and functional HMIS) and Data Quality Rating (% of countries with good and moderate data), and reporting twice a year, and provision of support to countries in need.		10 Health facility assessments					
o KPI16d generally on track with 20/50 (or 40% of target) countries with fully deployed and functional HMIS by end of 2019.		11 Review of laboratory system					
o On Data Quality Reporting: 58% of the countries (29/50 countries) report data quality rated good or moderate by end of 2019. This is 90% target achievement (Target for 2019 is 65%).		12 Population- based surveys					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status		
1 HMIS/LMIS interoperability key goals and components defined; Action plan for 6 countries developed. Implementation has started in selected countries in High Impact Africa regions. More countries are expected to be gradually integrated into the process.		Underway	Dec.20	MECA	Risk mitigation is on track. There are no material delays.		
2 Thematic review on existing M&E systems to report on community service delivery. RFP launched in 2019, provider selected and field work is underway. Report is expected in Q1-2020.		Planned	Mar.20	MECA			
3 Gender: (i) M&E framework for AGYW is completed and disseminated. (ii)Assessment on M&E system to report on interventions for AGYW is completed in 15 countries. (iii) Thematic review to collect additional missing behavioural indicators planned. Scope of work completed and RFP launched and Secretariat is in the process of selecting a provider. Thematic review results scheduled to be available in Q1 2020.		Underway	Mar.20	MECA			
4 Conduct the external QA of surveys beyond HFA and DQR for selected number of countries (e.g. IBBS, HIV treatment cascade, Malaria Indicator Survey, TB Prevalence Survey) in 2019. Use a risk based approach - countries selected based on a set of pre agreed criterions (capacity and prior experience of the country implementing related surveys). Target for 2019 has been overachieved. 48/50 (target was 20/50) have been completed.		Underway	Dec.20	MECA			
5 Thematic reviews to provide information on progress of specific cross-cutting areas supported by GF strategy, e.g. ICCM, intervention packages for KPs, factors contributing to favorable MDR-TB treatment outcomes etc.: By the end of 2019;3 were completed and 5 have started and close to completion.		Underway	Dec.20	MECA/TAP/GMD/CRG			
Additional activities		Next steps					
1 Stronger global support /investments in core /central costs of developing and maintaining M&E global public goods (e.g. DHIS2, other open-source solutions, etc.)							



3. Procurement															
Risk description							Risk owner		GMD / Supply Operations						
Procurement challenges and failures that lead to poor value for money or financial losses, incorrect or sub-standard products or delayed delivery, potentially leading to stock out, treatment disruption; poor quality of services or wastage of funds or products.				Residual risk		Moderate		IRM category		Health Product Management & Supply Chain					
				Risk appetite		Moderate		Change since last quarter		No change					
Risk impact				Target risk		Moderate		Direction of travel		Steady		➡			
Global Fund exposure to health commodities procurement is material, as it captures between 40% and 60% of grant funding across the portfolio. The risk is concentrated in sub-Saharan Africa, with up to 75% of grant funds in the region budgeted for health commodities. For the 2018-2020 period, while 59% of the Global Fund health commodities projected spend will be procured centrally through the Pooled Procurement Mechanism (PPM), presenting an important market shaping opportunity, the balance will be conducted through a wide range of procurement channels, including national systems (20% of projected spend) and international organizations (e.g., UN agencies) (21%).				Target risk timeframe		Not applicable		GF ability to mitigate		Significant ability		★★★★			
				Key Partners											
Because PPM-related risk is managed directly by the Secretariat, challenges are likely to predominantly affect the approximately 20% of procurement spend exposed to national systems. These challenges include, but are not limited to, poorly managed and lengthy procurement processes, inadequate capacity to maximize value opportunities through strategic sourcing approaches and fraud that negatively affects value for money and the continuity of supply.				Donors including the World Bank, US and France provide focused technical assistance related to health commodity procurement.											
Root causes				Key countries											
<div>1Lack of critical mass (volume) for, and limited market knowledge of, critical health product portfolios, decreasing leverage</div> <div>2Inadequate procurement planning and lack of coordination with international partners</div> <div>3Lengthy processes, and other governance-related challenges</div> <div>4Less than mature sourcing strategies and supplier relationship management, missing opportunities to secure value for money.</div>				Top 20 countries by commodity budget											
				Nigeria		Uganda		Malawi		Cameroon		Burkina Faso		Sudan	
				India		Tanzania		Ghana		Myanmar		Côte d'Ivoire		Guinea	
				Mozambique		Kenya		Zambia		Ukraine		Viet Nam		Pakistan	
				Ethiopia		DRC									
Current controls & mitigations				Assurances											
1Implementing the Board approved Market Shaping Strategy (2016-2022), leveraging PPM volumes.				1Quarterly Supply Operations reporting through the Performance Accountability Framework.											
2Requirement for health product procurement to be compliant with Global Fund Quality Assurance (QA) policies.				2LFA reviews of health product purchases for compliance with QA Policy and grant budgeting guidance.											
3Developing, updating and implementing health product sourcing strategies, with the supply of core health products managed-by the Supply Operations-Department through performance-based framework agreements with suppliers.				3Mid-term review of Market Shaping Strategy by Technical Evaluation Reference Group, reported to Board Committees and Board and shared in public domain											
4Support access and compliance on a common platform (wambo.org), allowing PRs to transact orders using grant and domestic funding, while extending PPM-negotiated prices and conditions to non-PPM procurements by other interested buyers through the Leveraging Impact Framework.				4Supplier monitoring of stock which can be made available through Rapid Supply Mechanism (RSM) to ensure availability of commodities as required, as per Framework Agreements.											
5Regular performance reviews of Framework Agreement suppliers and Procurement Services Agents (PSAs).				5Supply Operations Steering Committee quarterly review of exceptions report.											
6Rapid Supply Mechanism (RSM) managed by the Supply Operations Department available to all PRs that responds to emergency needs of countries and addresses stock out situations for key health products.				6Only QA compliant products are available on wambo.org											
7Grant budgeting guidance requiring use of PPM reference prices as a budget price for all PRs (Guidelines for Grant Budgeting).															
8Savings target-setting (KPI 12b) and OTIF target-setting and monitoring.															
9Regular coordination with other big buyers (e.g., USG, South Africa, etc.)															
Controls & mitigations in development or planned				Category		Target completion (MM/Yy)		Mitigation owner - department			Overall status				
1Continue to advance implementation of the Board-approved Market Shaping Strategy (2016-2022).				Underway		Dec.20		Supply Operations			Risk mitigation is on track. There are no material delays.				
2Roll out the demand management process to maximize the value (delivery performance, savings, secure the supply, etc.)				Underway		Mar.20		Supply Operations							
3Continued expansion of procurement by PRs using domestic funding for up to an additional 50 transactions on wambo.org, to reach a total of up to US\$50 million spend, subject to further revision by the Strategy Committee.				Underway		Dec.20		Supply Operations							
Additional activities				Next steps											

4. In-Country Supply Chain													
Risk description								Risk owner	GMD / SSC				
Disruption or poor performance of in-country health product supply chain services, from port of entry to point of service delivery that could result in inadequate availability of commodities and/or wastage of grant-funded commodities through expiries or diversion. Gaps may be in supply systems arrangements, systems and capacity, data process and analytics, physical logistics and/or financing and can prevent achievement of grant objectives.					Residual risk	High		IRM category	Health Product Management & Supply Chain				
					Risk appetite	High		Change since last quarter	No change				
Risk impact					Target risk	Moderate		Direction of travel	Steady	➡			
Inadequate availability of commodities or wastage of grant-funded commodities through expiries or diversion. With over 40% of grant funding allocated to health commodities, high volumes of lifesaving products flow through in-country supply chains that are often fragile, insecure and poorly managed and coordinated, which can lead to multiple risk events, including treatment disruption, poor quality of services, increased drug resistance, health products wastage and poor value for money. Ultimately, this can lead to reduced impact of Global Fund investments and increased mortality and morbidity.					Target risk timeframe	Jun.23		GF ability to mitigate	Moderate ability	★★★			
					Action being taken to reach target	List of prioritized countries has been finalized where focus will be on implementation of supply chain diagnostics leading to transformation plans, capacity building and innovation. (Overarching mitigations are captured below.) Progress being made but delays being experienced and increased momentum needed.							
					Key partners								
					Agencies of the US Government, World Bank, World Health Organization and Interagency Supply Chain Group								
Root causes													
1	Incomplete processes and insufficiently trained/qualified staff for recording, reporting and monitoring health commodities throughout the supply chain system.				Key countries								
2	Lack of data availability and/or data quality related to consumption and patient information and/or MIS, resulting in inaccurate quantification and forecasting.				2 cohorts: top 20 countries by commodity budget (black text) & 16 Key Priority and Support countries (blue text). Overlap countries are shown in bold .								
3	Poor oversight, data visibility and control of stock of key products at different levels of the supply chain system.				Nigeria	Uganda	Malawi	Cameroon	Burkina Faso	Sudan			
4	Inadequate facility/storage capacity and conditions, logistics information and planning and distribution; poor inventory management including insufficient inventory turns.				India	Tanzania	Ghana	Myanmar	Côte d'Ivoire	Guinea			
5	Lack of coordination among donors and key stakeholders that are involved in or support the supply management cycle of health products in country; lack of budget/resources.				Mozambique	Kenya	Zambia	Ukraine	Viet Nam	Pakistan			
6	Upstream challenges that can result in unavailability of products within the in-country supply chain.				Ethiopia	DRC	Indonesia	Haiti	Liberia	Bangladesh			
7	Inadequate in-country supply chain leadership and accountability, lack of (focus on) domestically agreed KPIs.				South Africa	Chad							
Current controls & mitigations					Assurances								
1	Diagnostic assessments (completed for 20 countries) and data collection to identify underlying root causes for in-country supply chain underperformance and implement evidence-based improvement plans.				1	Product availability at point of care (KP-16b); inventory turn data							
2	Based on data, grant financing to undertake improvement plans/supply chain systems strengthening priority activities such as improving data systems, storage and other infrastructure improvements, commodity tracking, inventory management and national capacity building.				2	14 supply chain assurance activities outlined in Risk and Assurance tool box							
3	Capacity to increase accuracy of national commodity forecasts, reducing risk of overstocks/expiries and stock outs including: o Secretariat review (annually or quarterly) of commodity forecasts and quantification for High Impact countries and those identified as high risk in terms of procurement and supply chain management; o Cooperation with key partners at country level, with focus on High Impact countries for the development of national forecasts and supply plans; o Skilled Forecasting Steering Committees that meet frequently in a number of High Impact countries.												
4	Alignment between Global Fund and US Government on common, long term supply chain strategy based in a multi party signed data sharing agreement; ongoing, high-level coordination with USAID.												
5	Collaboration with partners at country and HQ levels to implement supply chain strengthening activities. Interagency Supply Chain Group (ISG) enables such collaboration.												
6	Selectively engage private sector to be used as providers to deliver supply chain functions such as storage or transportation in underperforming environments.												
7	Catalytic funding to enable capacity building in 19 countries by expanding supply chain universities and supply chain training as a way to develop local supply chain expertise over the long term and reduce need for external technical assistance. Efforts include grant with PAHO to build capacity in 6 Latin American and a certification program for supply chain professionals in Nigeria.												
8	Jointly owned objectives focused on KPI performance improvement established between S&SC Dept. and the HPM network to support alignment across teams.												
9	Reporting on product availability (KPI 6b) on a quarterly basis for 16 prioritized countries and use data to set targets and support impact-focused improvement plans.												
10	Catalytic funding to implement supply chain transformation plans that address priority issues and risks, currently being undertaken in 16 priority countries.												
Controls & mitigations in development or planned					Category		Target completion (MM/YY)		Mitigation owner - department		Overall status		
1	Collection of quarterly inventory turn data for all 16 priority countries to provide evidence-based insight about root causes and tangible progress.				Underway	Dec.20		SSC		Risk mitigation is progressing but there are also some material delays.			
2	Catalytic funding for supply chain innovation to identify technology-driven solutions such as drones or product tracking systems, that can eventually be deployed to address in-country challenges.				Underway	Dec.20		SSC					
3	Implementing Bar Coding on core health products (GS1) Standard at GF and introduction of GS1 standards for inventory management in 5 countries.				Underway	Jun.20		SSC					
4	Deploy Big Data solutions in 5 countries, leveraging DHIS2 or other system, to include use of data to establish locations for focus of diagnostics.				Underway	Dec.20		SSC					
5	Begin collection of product availability data in selected countries beyond the priority 16.				Underway	Dec.20		SSC					
6	See also controls and mitigations in development or planned for Procurement risk, specifically #4 and #6.												
Additional activities					Next steps								



5. Grant-Related Fraud & Fiduciary

Risk description				Risk owner	Finance		
Misuse of funds due to wrongdoing and inadequate financial/fiduciary control, including for procurement practices.		Residual risk	Moderate	IRM category	Financial & Fiduciary Risks		
		Risk appetite	Moderate	Change since last quarter	No change		
Risk impact		Target risk	Moderate	Direction of travel	Steady	➡	
Fraud and weaknesses in internal control environments can result in financial losses that affect value for money and lead to inadequate program coverage, execution and suboptimal impact against the diseases, as well as causing reputational damage.		Target risk timeframe	Not applicable	GF ability to mitigate	Moderate ability	★★★	
		Key Partners					
Root causes		N/A					
1	Budget with presence of significant-activities prone to misuse	Key countries					
2	Weak PR management	Top 25 countries by allocation amount					
3	Weaknesses in PR and SR internal control frameworks	Nigeria	Zimbabwe	Kenya	Indonesia	Ghana	Sudan
4	Weak bank and cash management procedures	Tanzania	Uganda	South Africa	Côte d'Ivoire	Cameroon	Viet Nam
5	Weak SR oversight	DRC	Malawi	Zambia	Rwanda	Bangladesh	Ukraine
6	Weak ethical environment	Mozambique	Ethiopia	Myanmar	Pakistan	Burkina Faso	Mali
		India					
Current controls & mitigations		Assurances					
1	Provision of oversight and monitoring of grant-level financial assurance plans across the portfolio by the Regional Finance Managers and Financial Risk Team.	1	LFA reports				
		2	External audit reports				
2	Strengthening of fiduciary controls including over procurement such as the use of Pooled Procurement Mechanism or outsourcing of procurement to third-party procurement agents for Non-Health and Health Products procurement during grant design and implementation.	3	Internal audit reports				
3	Use of Fiduciary/Fiscal Agents in selected high risk countries at PR and/or SR levels including fraud specialist and monitoring the performance of the Fiscal Agent by the Regional Finance Manager and Financial Risk Team.	4	OIG Reports				
4	Financial Control Environment Review pilot recommendations and cross cutting Agreed Management Actions jointly monitored by Risk Department and FISA.						
5	Effective implementation of Financial Guidelines (e.g. Financial risk management, Budgeting and Financial reporting guidelines) for Country Teams and implementers.						
6	Revised financial audit Terms of Reference emphasizing risk based assessment of PR internal controls, and updated guidelines for grant audits.						
7	Support to implementers in the optimization and use of innovative cost-efficient technological approaches, such as mobile money and mobile device solutions, for financial management risk mitigation.						
8	Pre-qualification of professional service providers for technical assistance toward effective capacity building and fraud risk management at the implementer level.						
Controls & mitigations in development or planned		Category	Target completion (MM/YY)		Mitigation owner - department	Overall status	
1	Develop and implement anti-Fraud Risk Guidelines to provide guidance to Country Teams on how to manage fraud. Senior management in Program Finance, Risk and Ethics department are currently reviewing whether the guidelines should be expanded to all areas related to the risk of fraud (procurement, programmatic data, etc.) or remain a standalone document dealing with financial fraud. This dialogue is taking place within the context of wider discussions on implementation of the Policy to Combat Fraud and Corruption (PCFC). (The Ethics Office leads on fraud and corruption, covering all prohibited practices as defined in the PCFC.)	Underway	Jun.20		FRAT	Risk mitigation is progressing but there are also some material delays.	
2	Assess effectiveness of the fiscal agent model and develop a robust transition approach (including impact analysis) for removal of fiscal agents based on the recently approved risk appetite framework.	Underway	Dec.20		FRAT		
3	Enhance the governance and oversight in the process to change implementers (PRs) and the financial risk and assurance model for IOs/INGOs in order to enhance the financial assurance and effectiveness of mitigating measures.	Underway	Dec.20		FRAT		
4	The update to the anti-Fraud Risk Guidelines has been incorporated into the broader initiative to implement the PCFC, consistent with AMA 5 of the OIG Audit on Ethics. Resulting in development of a final set of updated guidelines, vetted and approved across the organization.	Underway	Sep.20		Ethics		
5	Develop systems-generated reports linking recoveries and PUDR-reported ineligible.	Planned	Feb.20		Treasury / Program Finance / IT		
Additional activities		Next steps					

6. Accounting & Financial Reporting by Countries


Risk description						Risk owner	Finance		
Incomplete, incorrect, delayed or inadequately supported financial records by PRs or SRs due to inadequate financial management systems.				Residual risk	Moderate	IRM category	Financial & Fiduciary Risks		
				Risk appetite	Moderate	Change since last quarter	No change		
Risk impact				Target risk	Moderate	Direction of travel	Steady		
Misallocation of resources; reduced grant coverage, performance and impact				Target risk timeframe	Not applicable	GF ability to mitigate	Significant ability		
				Key Partners					
Root causes				The World Bank and US Government agencies have a moderate ability to mitigate the risk of poor Accounting & Financial Reporting by Countries.					
1	Inadequate human resource capacity			Additional Partners: International Professional Accounting Bodies and Supreme Audit Institutions (SAI).					
2	Weak financial reporting processes			Key countries					
3	Weak or nonexistent financial management systems								
				Top 25 countries by allocation amount					
				Nigeria	Zimbabwe	Kenya	Indonesia	Ghana	Sudan
				Tanzania	Uganda	South Africa	Côte d'Ivoire	Cameroon	Viet Nam
				DRC	Malawi	Zambia	Rwanda	Bangladesh	Ukraine
				Mozambique	Ethiopia	Myanmar	Pakistan	Burkina Faso	Mali
				India					
Current controls & mitigations				Assurances					
1	Integrated approach to capacity strengthening and in-country risk reviews instituted through joint assessments/deep dives of implementers by Co-Link, Risk Department and Financial Risk & Assurance Teams with an objective to assess root causes and effectiveness of mitigating measures at country level.			1	LFA Reports				
2	Co-Link initiative action plans in place and implemented in at least 19 High Impact and Core countries by 2018 for strengthening implementers' financial management capacity in People, Processes, and Systems and demonstrating the use of country or donor-harmonized systems for financial management, in accordance with SO2g agreed targets. o At least 80% of the agreed action plans from 2017 have been completed in 13 out of 16 targeted countries for routine financial management strengthening. o In 3 targeted countries the use of at least 6 components of country or donor-harmonized systems for financially managing Global Fund investments has been achieved			2	External Audit Reports				
3	Continuous monitoring of outcomes of assessment of implementers in financial management (via the FMIR tool targeting High Impact and core countries) and reporting on improvements, or otherwise, across 6 key financial management areas including financial absorption as part of supporting optimal grant management by implementers.			3	Internal Audit Reports				
				4	OIG Reports				
Controls & mitigations in development or planned				Category		Target completion (MM/YY)	Mitigation owner - department	Overall status	
1	Optimization of the cash management processes and foreign exchange risk exposure through the roll-out of a Foreign Exchange in Grants framework (as approved by MEC in November 2018) for grant implementation including PPM charge back to manage FX on cross-currency grant disbursements.			Underway	Dec.20	Program Finance and Treasury	Risk mitigation is on track. There are no material delays.		
2	Expansion of the Ecobank project on knowledge management and experience-sharing among grant implementers in selected Anglophone and Francophone countries The next training is scheduled for 2020 after an amendment of the contractual framework is completed.			Underway	Apr.20	Program Finance			
3	Co-link initiative action plans in place and implemented for 28 countries (88%) of the 32 targeted countries. o For routine FM strengthening, 23 out of 26 countries in place and implemented o For use of country/donor-harmonized systems, 5 out of 6 countries in place and implemented			Underway	Dec.20	Program Finance			
4	A transversal team has been set up in Program Finance and Controlling to continue performing quality assurance, monitor timely validation, and improve the overall reconciliation and closure process.			Underway	Dec.20	Program Finance			
Additional activities				Next steps					

7. National Program Governance & Grant Oversight

Risk description						Risk owner	GMD					
Inadequate national program governance, Principal Recipient (PR) oversight of grants, and non-compliance with Global Fund requirements for the effective management of grants.			Residual risk	Moderate		IRM category	Governance, Oversight & Management Risks					
			Risk appetite	Moderate		Change since last quarter	No change					
Risk impact			Target risk	Moderate		Direction of travel	Steady					
Poor national program governance and grant oversight results in underperformance of grant supported programs, poor value for money, fraud, reputational damage to the Global Fund and ultimately failure to achieve impact against the three diseases.			Target risk timeframe	Not applicable		GF ability to mitigate	Moderate ability					
			Key Partners									
Root causes			Bilateral donors such as the US and France provide focused technical assistance to PRs on grant management.									
1	Unclear lines of authority and responsibility from national to subnational levels to implement disease strategies.						Key countries					
2	Ineffective planning, budgeting, implementation and supervision performed by national disease programs											
3	Insufficient prioritization of financial and human resources allocation to disease programs by national and subnational governments.						Top 25 countries by allocation amount					
4	Suboptimal collaboration between PRs, national disease programs, government and non-government stakeholders.						Nigeria	Zimbabwe	Kenya	Indonesia	Ghana	Sudan
5	Absence of human resource capacity development plans and consequent gaps in health staff training for the delivery of health services.						Tanzania	Uganda	South Africa	Côte d'Ivoire	Cameroon	Viet Nam
6	Ineffective government oversight over the implementation of the disease strategies by national programs.						DRC	Malawi	Zambia	Rwanda	Bangladesh	Ukraine
7	Inadequate PR management and reporting capacity, and inadequate oversight of PRs due to weaknesses in CCM engagement structures and coordination.						Mozambique	Ethiopia	Myanmar	Pakistan	Burkina Faso	Mali
8	Inadequate processes for SR selection and limited SR oversight.							India				
9	Suboptimal human resource capacity at the PR level.											
10	Ineffective or absent internal controls at the PR level.											
11	Inadequate policies, processes, procedures, tools and protocols to identify and mitigate risks at PR and SR level											
Current controls & mitigations			Assurances									
1	PR selection, prior to Technical Review Panel and Grant Approvals Committee approval, that meet Global Fund minimum standards for internal controls and capacity.						1	External audit reports				
2	Implementation arrangement mapping conducted for all new grants.						2	LFA spot checks reports				
3	Grant making actions specifically to address implementation and capacity challenges prior to grant signing.						3	Review design and/or effectiveness of the internal control environment				
4	Grant implementation monitoring focusing on oversight and supervision done by government entities and national disease programs respectively.						4	Joint programmatic, supply chain and financial spot checks				
5	Financial Risk and Assurance Plans for all High Impact and Core countries completed.											
6	Comprehensive assurance plans developed for all High Impact and Core portfolios highlighting agreed upon mitigating actions to address national program governance and grant oversight.											
7	Updated Operational Policy Notes released for differentiated risk management across the grant lifecycle; strengthened assurances with additional resources made available to country teams allowing improved Global Fund oversight and compliance monitoring.											
8	Integrated Risk Management Module rolled out to ensure better analysis of PR oversight and management of risks and the identification and roll out of mitigating actions to improve overall implementer capacity as well as national program governance.											
Controls & mitigations in development or planned			Category	Target completion (MM/YY)		Mitigation owner - individual		Overall status				
1	Roll out of CCM Evolution to strengthen CCM capacity in all High impact, core and focused portfolios.						Planned	Dec.23		GPS		Risk mitigation is on track. There are no material delays.
2	Develop, test and implement initiatives aimed at improving implementer capacity, internal controls, risk management and overall PR management processes for improved grant-oversight.						Underway	Dec.22		GPS		
3	Development and roll out of front line risk management approach (aligned to the roll out of CCM evolution).						Underway	Dec.23		Risk		
4	12 country engagements over 3 years for enhanced due diligence of key implementer staff and key assurance providers.						Planned	Dec.21		Ethics		
Additional activities			Next steps									

8. Quality of Health Products						
Risk description				Risk owner	GMD / SSC	
Patients exposed to health products of substandard quality; i.e. health products (purchased by Global Fund-supported programs) that are not safe, effective and/or of good quality.		Residual risk	Moderate-low	IRM category	Health Product Management & Supply Chain	
		Risk appetite	Moderate	Change since last quarter	No change	
Risk impact		Target risk	Moderate	Direction of travel	Steady	➡
Substandard quality resulting in poor health outcomes for patients, including death or morbidity; increased drug resistance; and reduced impact of Global Fund investments.		Target risk timeframe	Not applicable	GF ability to mitigate	Moderate ability	★★★
		Key Partners				
Root causes		Agencies of the US Government, World Bank, World Health Organization and GAVI have a minor to moderate ability to				
1	Weaknesses in the upstream HP lifecycle (incl. limitations in market authorization mechanisms), leading to entry of inadequate HPs in the market.	Key countries				
2	Procurement of substandard health products i.e. procurements outside the list of commodities which are WHO prequalified 1/ Expert Review Panel (ERP) recommended.	Top 20 countries by commodity budget				
3	Weak supply chain systems that control, monitor and maintain product quality throughout the in-country supply chain.	Nigeria	Uganda	Malawi	Cameroon	Burkina Faso
4	Weaknesses in downstream in-country QA mechanisms, including gaps in national pharmacovigilance and post-market surveillance.	India	Tanzania	Ghana	Myanmar	Côte d'Ivoire
5	Lack of good dispensing practices.	Mozambique	Kenya	Zambia	Ukraine	Viet Nam
		Ethiopia	DRC			Pakistan
Current controls & mitigations		Assurances				
1	Implementation of Global Fund Quality Assurance (QA) policies for pharmaceutical and diagnostic products. Continuous improvement of the QA Policy based on evolving needs.	1 Review of in-country quality monitoring activities				
2	Procurement through PPM (~59% of the HP spend), and UN agencies (~21%), providing increased assurance that products meet internationally recognized standards of quality.	2 Other relevant activities from the 15 supply chain assurance activities outlined in Risk and Assurance toolbox				
3	Implementation of country-specific Quality Assurance/Quality Control plans using grant funds to monitor product quality throughout the in-country supply chain as per grant requirements.	3 Verification of product eligibility within procurement transactions through PQR				
4	Many grants support supply chain strengthening and logistics operations, in particular storage and distribution which indirectly contribute to maintaining product quality by ensuring compliance with best practices.					
5	Targeted RSSH investments for strengthening selected countries' pharmacovigilance systems in order to identify and take appropriate action in response to adverse reactions.					
6	MoU signed with the United States Pharmacopeia (USP) for facilitating access to technical assistance in quality assurance/quality control for implementers and national labs in coordination with USAID.					
7	Ongoing operationalization of WHO coordinated Expert Review Panel (ERP), providing advice to aid procurement decisions regarding pharmaceutical products not yet WHO-prequalified or SRA-authorized.					
8	Coordination with partners, manufacturers, and stringent regulatory mechanisms to issue information notes on quality or safety issues related to products that have been procured with Global Fund funds.					
9	Ongoing engagement with partners and other donors to ensure alignment of quality standards.					
10	Enhanced non-compliance database is regularly updated to track and consolidate instances of non-compliance with the Global Fund QA policy and outcomes.					
11	ERP process to support introduction of new TB molecular testing technologies established in collaboration with StopTB and WHO.					
12	Specific quality assurance coverage indicator and workplan tracking measure within the RSSH module of the Modular Framework. Updated guidance and Modular Framework to facilitate dialogue and investments to strengthen QA/QC initiatives.					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department		Overall status
1	The Secretariat will clarify the Secretariat's Quality Assurance mandate, including the necessary activities, roles and responsibilities, in turn supporting implementation of actionable quality assurance plans.	Underway	Mar.20	Quality Assurance Team		Risk mitigation is progressing but there are also some material delays.
2	Use of catalytic funding to strengthen WHO technical capacity to conduct prequalification of diagnostics and vector control products, supporting market entry of innovative products.	Underway	Dec.20	Quality Assurance Team		
3	Catalytic funding and coordination with partners to strengthen WHO technical assistance; TA will focus on pharmacovigilance for innovative medicines and market control activities for diagnostic products at central and regional levels, improving local capacity to identify quality/safety issues in these specialized areas.	Underway	Dec.20	Quality Assurance Team		
4	Strengthen regulatory capacity to authorize and monitor pharmaceutical products, with particular focus on countries that manufacture products for LMICs for local supply (including support for transitioning countries).	Underway	Dec.20	Quality Assurance Team		
5	Support publication of tools, norms and guidelines that set recommended standards to be met by procurement agencies and regulatory bodies, building capacity of local entities to ensure procured products are safe and effective.	Planned	Dec.20	Quality Assurance Team		
6	Development of procedures to investigate, identify and remove ineffective or dangerous products from the market.	Underway	Mar.20	Quality Assurance Team		
7	Development of a set of indicators that reflect key aspects of regulatory maturity, including pharmacovigilance and quality control monitoring, to be used to better assess the level of risk and track mitigation progress.	Underway	Dec.20	Quality Assurance Team		
8	See also controls and mitigations in development or planned for In-Country Supply Chain risk, specifically #1 and #6.					
Additional activities		Next steps				
1	Embedding QoHP risk management in supply chain transformation.					

9. Human Rights & Gender Inequality

Risk description		Risk owner			CRG		
Human rights and gender related barriers, including stigma and discrimination, limit access to health services for key and vulnerable populations.		Residual risk	High	IRM category	Programmatic & M&E		
		Risk appetite	Not applicable	Change since last quarter	No change		
Risk impact		Target risk	Not applicable	Direction of travel	Steady		
Failure to address human rights and gender related barriers can result in failure to achieve impact through Global Fund investments, inasmuch as they hinder access to and retention in services for key and vulnerable populations.		Target risk timeframe	Not applicable	GF ability to mitigate	Minor ability		
		Key Partners					
Root causes		UN, Bilateral, Foundation and Civil Society partners provide advocacy support					
1 Harmful and / or discriminatory social and cultural practices place key and vulnerable populations at increased risk of contracting HIV, TB and malaria and limit their access to health services.		Key countries					
2 Gender and age related norms and stereotypes affect access to services, and how these are delivered.		2 cohorts: 20 HR (black text) & 13 AGYW countries (blue text). Overlap countries are shown in bold .					
3 Limited political will and leadership to address human rights and gender related barriers prevents appropriate interventions from being incorporated into programs, and their implementation.		Lesotho	Uganda	Namibia	Cameroon	Kyrgyzstan	Ukraine
4 Harmful laws, regulations, policies, or practices hinder access to services for key and vulnerable populations.		Tanzania	Malawi	Indonesia	Senegal	Tunisia	Ghana
5 Limited understanding of how failure to address barriers reduces the impact of the response, and which programs are effective at reducing barriers, prevents incorporation of programs to reduce these barriers.		DRC	Botswana	Côte d'Ivoire	Benin	Sierra Leone	
6 Limited recognition of the specific and unique expertise key and vulnerable populations have in contributing to effective programming.		Mozambique	Kenya	Honduras	Nepal	Zambia	
7 Country capacity and/or unwillingness to collect and analyze gender and age disaggregated data, and data on key and marginalized communities, hinders the development and implementation of interventions that act to remove barriers for these communities.		Swaziland	South Africa	Jamaica	Philippines	Zimbabwe	
Current controls & mitigations		Assurances					
Human Rights		1 TERG Evaluation on programs for adolescent girls and women					
1 Program Design: Matching funds for programs to remove human rights related barriers in 20 intense effort countries approved and being monitored; guidance and information notes on addressing human rights developed and disseminated.		2 Regular reporting on progress on KPIs 5, 8 and 9					
2 Data: Baseline assessments of human rights related barriers to services being undertaken; tool developed to analyze responsiveness of national Malaria programs' to barriers related to human rights, gender and key populations (i.e.-the Malaria Matchbox Tool); national legal environment assessments being undertaken in joint GF and Stop TB priority countries.		3 OIG country audits					
3 Program implementation: Programs to remove human rights related barriers aligned with 5 year plans in 20 countries in consultation with key actors, demonstrating commitment and leadership in implementation; human rights components of grants being developed; OIG human rights complaints procedure in place providing an avenue for reporting on violations in context of GF investments; Secretariat human rights crisis response protocol in place.		4 Reporting is done regularly against the Gates Funding for the AGYW advisors and separately for the implementation of the AGYW technical assistance through the MOUs.					
4 Capacity building: Training for country teams on addressing human rights related barriers and learning community established; Human Rights Monitoring and Evaluation expert group providing guidance on impact measurement of programs to remove human rights related barriers; collaboration with UNAIDS at HQ to reduce human rights related barriers through targeted technical assistance.		5 KPI 8 reporting includes a qualitative review of 2017-2019 funding applications and the most recent reporting on KPI 8 indicators; all updated technical briefs are published and on-line;					
Gender Inequality		6 OIG advisory on human rights					
5 Program design, implementation and monitoring: Matching funds for programs to reduce HIV incidence amongst AGYW in 13 out of 13 countries approved and being monitored for program quality and effectiveness. Revised grant documents, information notes on HIV, TB and malaria, and technical briefs for 2020-2022 grant cycle integrated approaches to gender inequities and gender-responsive investing, including responding to sex/age disaggregated data. A technical brief on AGYW and Addressing Gender Inequities Across the Three Diseases will be released in fourth quarter 2019. Proposal for AGYW matching funds 2020-2022 under development.							
6 Data: Matching funds to improve data quality, including sex and age disaggregated data capacity combined with direct technical support for country programs, approved.-Revised goals model (using sex/age disaggregation) piloted in 2 countries with positive results. Model presented at NAC and 3 more countries are requesting its use, which is being coordinated by UNAIDS with the GF. Countries to report and use sex and age disaggregated data; 50% of countries are reporting all required disaggregations up from 43% in the last reporting cycle. Consolidated CRG assessment tools with Stop TB is being rolled out in 11 countries. RBM has adopted the Malaria Matchbox. UNAIDS is implementing gender assessments for HIV in most of the 22 fast-track countries.							
7 Capacity building: Prevention and AGYW advisors embedded in GMD to increase technical assistance and coordination with implementing partners in 13 priority countries; MOU implemented with UNICEF and WHO to develop targeted TA program and coordinate with technical partners on lessons learned.							
Meaningful engagement							
8 Direct investment in long term capacity development programs for networks and organizations of key and vulnerable populations, including HER Voice fund giving more than 200 small grants for AGYW engagement; coordination and funding of TA program specifically focused on supporting key and vulnerable populations to access short term expertise via CRG Strategic initiative.							

9. Human Rights & Gender Inequality


Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status
1	Implementation of the 'Accelerate' initiative to transform CRG's operating model to enable a more systematic and rigorous approach to partnering with Country Teams.	Underway	Jan.20	CRG	Risk mitigation is progressing but there are also some material delays.
2	Strengthen risk definitions, introduction of outcome indicators and development of guidance/training for Country Teams on design and implementation of effective mitigations for addressing human rights and gender related barriers to services.	Underway	Dec.20	CRG	
	Human Rights				
3	Differentiated support to middle income countries to increase investments to reduce human rights related barriers.	Underway	Dec.22	CRG	
4	Differentiated support to selected countries to assess domestic investment to reduce human rights related barriers and to support increases in investments.	Planned	Dec.22	CRG	
5	Mid and end term assessments of progress made in, and impact of, intensive efforts in 20 countries to reduce human rights related barriers.	Underway	Dec.22	CRG	
6	Formalize collaboration agreement with UNDP to strengthen coordination in the scale up of programs to remove human rights related barriers, and with other organizations to strengthen collaboration (inc. Stop TB Partnership and Thomas Reuters Foundation. The agreement with the Thomas Reuters Foundation was signed in September.)	Underway	Apr.20	CRG	
7	Strengthen awareness of OIG human rights complaints procedure amongst key and vulnerable populations.	Underway	May.20	OIG	
8	Assessment of effectiveness of integration of human rights considerations into grant life cycle and policy making processes, and identification of opportunities for strengthening.	Underway	Jun.20	CRG	
Additional activities		Next steps			
1	Embed, operationalize and systematize the approach to addressing gender inequality through mainstreaming the use of sex and age disaggregated data in grant design, implementation and re-programming through improved program and data quality.	Initiate cross-departmental discussion including CRG, TAP and GMD to agree the approach to integration.			
2	Create additional capacity within country teams to analyze and respond to gender and age disaggregated data				

10. Transition						
Risk description				Risk owner	GMD	
Countries are unable to sustain and scale impact when they transition towards full domestic financing and program implementation of the national disease response.		Residual risk	High	IRM category	Cross-cutting	
Risk impact		Risk appetite	Not applicable	Change since last quarter	No change	
Unsuccessful transition can result in, amongst other things, service disruption or lack of continuity of services (especially for key and vulnerable populations), inability to continue to scale service provision in line with global and national targets, a reduction in the quality of services provided (including access to quality assured and affordable health products and commodities), and limited ability of existing national civil society and community organizations to sustain programs and build capacity without external financing. As a result, the three diseases could remain public health threats in countries no longer eligible for Global Fund support or a continued epidemiological challenge could threaten the past gains of GF and national financing.		Target risk	Not applicable	Direction of travel	Steady	→
		Target risk timeframe	Not applicable	GF ability to mitigate	Minor ability	★★
		Key Partners				
Root causes		Development banks, the World Health Organization, UNAIDS, civil society organizations, private foundations and others.				
1 Dependence on Global Fund financing for key interventions of the national disease response.		Key countries				
2 Unclear financial resources for transition contexts, given uncertainty in long-term GF allocations, unclear trends in financing of other major development and health partners, and changing environment for global health financing.		Under the Sustainability, Transition and Co-Financing (STC) Policy, all Upper Middle Income Countries (UMIC) and Lower Middle Income Countries (LMIC) with "Not High" high disease burden are considered "Transition Preparedness" priorities. For 2020-2022, this is a cohort of approximately 66 disease components (including those receiving transition funding but not including COEs or components within multi-country grants). Of these 66 components, 23 components are projected to fully transition from Global Fund financing prior to or during the 2026-2028 allocation cycle, and 6 components are receiving transition funding in 2020-2022.				
3 Limited country ownership of the transition process, including lack of advanced planning .						
4 Limited political will to address the underlying economic, political, legal and social issues that affect transition preparedness.						
5 Continued epidemiological challenges and programmatic gaps in the national disease responses, particularly amongst key and vulnerable populations.						
Current controls & mitigations		Assurances				
1	Embedding STC Principles and Practices through the operationalization of the STC policy - including (but not limited to): a) publication of updated 2019 STC Guidance Note with specific disease and technical area annexes, and other related guidance (i.e., OPN on co-financing, 2019 transition projections document, Value for Money Technical Note, social contracting diagnostic, etc); b) setting co-financing incentive amounts for 2020-2020 allocation and inclusion of tailored co-financing messages in allocation letters; c) enhancement of 2020-2022 funding requests to strengthen sustainability, transition, and co-financing focus; d) Incorporation of STC considerations into CCM Evolution initiative; e) Development and AFC endorsement of structured approach to innovative finance and Framework for Investments in Blended Finance; f) continued provision of transition funding to components who have become ineligible (6 in 2020-2020); continued implementation of 2017-2019 transition funding grants; and overall increases in allocations to "transition preparedness" cohort countries in 2020-2022 cycle.	1	Transition Readiness Assessments; Co-financing compliance monitoring; Ongoing review of transition preparedness activities in GAC review of grants			
2	Addressing transition challenges and supporting transition planning, including with technical assistance -- 1) Operationalization of Strategic Initiative for Sustainability, Transition and Efficiency (STE) and ongoing implementation, with a specific component focused on "transition preparedness" activities and transition planning; 2) Accelerating country and regional level transition planning through implementation of transition readiness assessments (and equivalents), transition work plans, as well as country and regional specific transition planning; 3) Supporting sustainable financing of civil society service provision through strengthened social contracting via Technical Assistance, including with partners; 4) Ongoing efforts to strengthen health expenditure tracking in priority countries.	2	TERG 2019 Thematic Review on STC Policy			
3	Strengthened organizational focus and Secretariat coordination on transition and STC -- including: a) placement of an STC Senior Manager, b) embedding sustainability / transition specialists into AELAC, c) addition of a Health Financing Manager and strengthened resources for health financing team, d) integration of STC considerations into performance objectives of GMD staff; and e) development of cross-departmental work-plan on STC and ongoing oversight of STC through internal STC Steering Committee; f) development of joint OIG, TRP, TERG, and Secretariat recommendations to guide STC policy implementation in 2020-2022.	3	2018 OIG audit on Transition			
4	Strategic Partnerships -- 1) Strengthen engagement and collaboration on sustainability and transition planning with development partners, including (but not limited to) UNAIDS, USAID, GIZ, OSF, WHO, STOP TB and GDF; 2) intensified health financing collaborations with partners, particularly with GAVI, GFF, WB, Regional Development Banks, and other relevant agencies; 3) Efforts to ensure high quality engagement with civil society and community groups to effectively engage in and support the STC agenda, including via CRG Strategic Initiative.					
5	Enhanced STC and transition capacity - including: 1) Addition of Strategic Information and Sustainable Financing (SISF) experts to the TRP to increase focus of review on domestic financing, health financing, sustainability, and transition; 3) Launch and ongoing implementation of STC Course for Secretariat staff, and approval of STC Training plan; 4) Piloting and implementation of external STC capacity building activities with partners.					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status	
1	Embedding STC Principles and Practice through the operationalization of the STC policy - Ongoing implementation of joint OIG, TRP, TERG, and Secretariat recommendations developed in context of STC Deep Dive and TERG STC Thematic Review to guide ongoing policy implementation during 2020-2022 allocation cycle.	Underway	Dec.20	GMD	Risk mitigation is on track. There are no material delays.	
2	Addressing specific transition challenges - Ongoing efforts to address access to affordable, quality health products via the expanded Wambo.org pilot (Board approved in November 2019) strengthening access to all Wambo products for a range of buyers, via domestic and non-grant financing. Further consultations in 2020.	Underway	Dec.20	Supply Operations / Wambo		
3	Embedding STC Principles and Practice through the operationalization of the STC policy - Systematic review of co-financing compliance in 2020-2022 access to funding processes and negotiation of new co-financing commitments.	Underway	Dec.20	GMD / Health Financing		
4	Embedding STC Principles and Practices through the operationalization of the STC policy - Roll-out of STC priorities within the context of the CCM Evolution Strategic Initiative.	Underway	Dec.20	CCM Hub (GMD)		
Additional activities		Next steps				

11. Drug & Insecticide Resistance

Risk description					Risk owner	TAP	
Increased resistance to drugs and insecticides used to fight the three diseases can lead to increased morbidity and mortality. Inconsistent treatment regimens, low quality pharmaceuticals, and interruptions in health product supply foster drug resistance that threatens public health. Insecticide resistance on the other hand is the risk that the effectiveness of existing insecticide-based vector control tools are undermined by the increasing development of mosquitoes resistance to insecticides used in long-lasting treated nets (LLINs) and indoor residual spraying (IRS)		Residual risk	High		IRM category	Programmatic & M&E	
		Risk appetite	Not applicable		Change since last quarter	No change	
		Target risk	Not applicable		Direction of travel	Steady	➡
		Target risk timeframe	Not applicable		GF ability to mitigate	Moderate ability	★★★
Risk impact		Key Partners					
Drug resistance can lead to treatment failures and heightened disease burdens across portfolios, negatively impacting the Global Fund mission and investments. The development of resistance to insecticides used in LLINs and IRS diminishes the effectiveness of vector control tools which have been critical in interrupting transmission and can negatively impact investments in Malaria control.		WHO, RBM, US Government agencies, the World Bank, the Alliance for Malaria Prevention, and the Innovative Vector Control Consortium are key partners in mitigating the risk of Drug and Insecticide Resistance.					
Root causes		Key countries					
Root Causes of Drug Resistance include: (a) insufficient financing for effective response activities; (b) inadequate diagnostics and poor treatment adherence; (c) poor quality health products; (d) instability of drug supply; (e) undertrained public health workers and inappropriate use of drugs Root Causes of Insecticide Resistance include: (a) insufficient financing to procure new vector control tools; (b) inadequate and inconsistent insecticide resistance monitoring and surveillance; (c) insufficient data on IR and in-country capacity to collect and analyze data; (d) lack of a clear framework to define and guide how and what is sufficient capacity for entomology and vector control monitoring and implementation		Top 25 countries by allocation amount and catalytic investments* (new LLINs)					
		Nigeria	Zimbabwe	Kenya	Indonesia	Ghana	Sudan
		Tanzania	Uganda	South Africa	Côte d'Ivoire	Cameroon	Viet Nam
		DRC	Malawi	Zambia	Rwanda*	Bangladesh	Ukraine
		Mozambique*	Ethiopia	Myanmar	Pakistan	Burkina Faso*	Mali*
		India	Benin*				
Current controls & mitigations		Assurances					
1	Global Fund Quality Assurance policies for finished pharmaceutical products & diagnostics help ensure products meet efficacy standards; this reduces the risk of drug resistance.	1 Supply chain diagnostics in twenty prioritized countries to gain insight into stability of drug supply 2 Reports from LFA spot checks 3 Technical partner reports 4 Drug resistance surveillance reports 5 Five in-country deep-dives designed to validate country supply chain segmentation (completed) 6 Therapeutic efficacy studies (with Global Fund resources and/or other sources of funding) 7 WHO Insecticide resistance 'threats maps'					
2	WHO normative guidance regarding appropriate treatment guidelines and protocols in place; Global Fund support for implementation of new WHO guidelines regarding Drug Resistant Tuberculosis and for the development of national insecticide resistance management strategies.						
3	Malaria: Regional Artemisinin Resistance (RAI) program in the Greater Mekong Sub-region, working towards malaria elimination in the region.						
4	Global Fund support for the WHO Innovation to Impact (I2I) Initiative; I2I works to develop and deliver new vector control products to stay ahead of resistance.						
5	Significant ongoing attention to ensure the quality and efficiency of grant-funded services (within current budget limitations and leveraging partners as needed); effective treatment and prevention reduce opportunities for drug and insecticide resistance to develop.						
6	Global Fund grants support countries to implement changes in drug policy when necessary; accelerated uptake of innovation to maximize value for money (e.g. change to DTG for treatment of HIV, shorter TB regimens, next generation of bed nets).						
7	Malaria: Global Fund grant support for behaviour change communication, fixed dose combination therapies and support programs to improve patient adherence to antimalarial treatment.						
8	Global Fund grant support for work with local communities and private sectors to find missing TB cases and ensure funding requests include insecticide resistance monitoring.						
9	Improving surveillance and enhancing capacity for public health entomology in malaria endemic countries to inform vector control strategies and track their impact on malaria transmission across the portfolio, focusing on the 10 highest burden countries.						
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department		Overall status	
1	Global Fund support for implementation of new WHO guidelines for drug-resistant TB, including short regimens for multidrug-resistant TB (MDR-TB) and new drugs; updated Green Light Committee (GLC) MoU for MDR-TB (new simplified and central payment mechanism for GLC payments from TB grants); and support for the scale-up of new diagnostics for rapid detection of TB/DR-TB cases, as well as new drugs.	Underway	Dec.20	TAP		Risk mitigation is on track. There are no material delays.	
2	TB: Catalytic Investment initiative to support identification of missing cases (prompt and effective treatment helps reduce the risk of resistance), including: o US\$115 million in matching funds to support country-led programs to find missing cases; o US\$10 million Strategic Initiative to help technical partners develop tools based on best practices; o US\$65 million multi-country investment for programs focused on migrant and cross-border issues, the mining sector, refugees, improved laboratory services, and transition to domestically funded health programs.	Underway	Dec.20	TAP			
3	Reward innovation of new vector control tools (LLINs and IRS) that have enhanced effectiveness in areas with pyrethroid resistance by: o encouraging exploratory deployment and roll out to appropriate settings as indicated by the emerging global evidence-base and supported by the iterative process of normative guidance development, and o covering the cost differential relative to existing tools and the associated need for enhanced monitoring through a special initiative.	Underway	Dec.20	TAP			
4	HIV: Implementation of the new Global Action Plan for drug resistance (2017-21) developed under the leadership of WHO, in collaboration with CDC, PEPFAR and the Global Fund.	Underway	Jan.21	TAP			
Additional activities		Next steps					


12. In-country Conduct & Ethics						
Risk description				Risk owner	Ethics	
Implementers, suppliers and other in-country partners act in contravention of the Global Fund's corporate values, its Codes of Conduct or applicable policies on ethical behaviour and conduct.		Residual risk	Moderate	IRM category	Not applicable	
Risk impact		Risk appetite	Not applicable	Change since last quarter	No change	
Poor decision-making, potential fraud, financial loss, and / or reputational damage limits the organization's ability to deliver on its Strategic Objectives and maximize impact against the three diseases.		Target risk	Not applicable	Direction of travel	Steady	➡
Root causes		Target risk timeframe	Not applicable	GF ability to mitigate	Moderate ability	★★★
1	Existing conflicts of interest and competing agendas	Key Countries/Components				
2	Inadequate due diligence of new implementers, suppliers and contracts					
3	Inadequate implementer, supplier or partner people management capability limiting ability to drive behavioral change					
4	Inadequate grant oversight by PRs, CCMs, LFAs and the Secretariat					
		N/A				
Current controls & mitigations		Assurances				
1	Ethics and Integrity Framework and Ethics Policy, including Conflicts of Interest, in place, underpinned by processes for Ethics case management and conflict of interest reviews	1	LFA spot checks and reviews			
2	Codes of Conduct in place for grant recipients, suppliers and LFAs	2	3rd Line OIG audit/investigation and annual reports.			
3	Policy to Combat Fraud & Corruption (PCFC) was approved by the Board in November 2017					
4	Capacity assessment of new implementers include assessment of control environment					
5	Ongoing grant implementation monitoring by Country Teams					
6	LFA and partner engagement in procurement and recruitment processes					
7	Ongoing monitoring through OIG Whistleblower reporting and OIG investigations					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status	
					🟡	
1	Enhancement of Conflict of Interest management process, including approval and launch of an updated CoI Framework.	Underway	Jun.20	Ethics	Risk mitigation is progressing but there are also some material delays.	
2	PCFC implementation - development of risk based implementation plan for PCFC operationalization (including lessons learned from 3 fraud risk assessment pilots).	Underway	Jun.20	Chief of Staff		
3	Ethics Office review of Codes of Conduct and Policies within the Ethics and Integrity Framework.	Underway	Jul.20	Chief of Staff		
4	Roll out of the Integrity Due Diligence framework.					
	i) (Exc. GMD) The framework is already up and running in Governance, PSE and Direct Procurement. Indirect procurement and HR are the remaining areas to finalize.	Underway	Mar.20	Ethics		
	ii) (GMD) Complete rollout with risk-based approach applied to all categories of implementers. (Pilot due diligence assignments already running at request of countries. Focus is now in defining approach for the implementer base.)	Underway	Jun.20	Ethics		
5	Roll out Code of Conduct for CCM Members in collaboration with CCM Evolution.					
	i) 12 country engagements over 3 years for enhanced due diligence of key implementer staff and key assurance providers.	Planned	Jun.21	Ethics		
	ii) Roll out Code of Conduct for CCM Members (including enhancement of COI process for CCMs), with performance based enforcement mechanism.	Underway	Jun.21	Ethics		
Additional activities		Next steps				

13. Foreign Exchange						
Risk description				Risk owner	Finance	
Foreign exchange volatility tied to net FX exposures faced by the Global Fund.		Residual risk	Moderate-low	IRM category	Not applicable	
Risk impact		Risk appetite	Moderate-low	Change since last quarter	No change	
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.		Target risk	Moderate-low	Direction of travel	Steady	
		Target risk timeframe	Not applicable	GF ability to mitigate	Significant ability	★★★★
Root causes		Key Countries/Components				
1	Foreign Exchange (Fx) market volatility	N/A				
2	Assets and Liabilities Management (ALM) changes (i.e. donor pledges or grant commitment changes leading to different FX exposures).					
3	Poor internal Fx limit management (Fx Policy)					
4	Internal and external poor Fx execution					
5	Internal operational risk for Model risk					
Current controls & mitigations		Assurances				
1	Global FX Management Framework in place to ensure that contribution agreements are consistently hedged.	1 Treasury Dashboard				
2	Revised and approved Treasury, Cash and FX Management Procedure to include ALM cross reference and rebalancing process.	2 Quarterly reporting to the Audit and Finance Committee (AFC)				
3	Conservative Fx limit established that limits exposure well within the limit, 6th Replenishment positions fully hedged.					
4	Regular update to AFC on hedging position (see quarterly reporting to AFC).					
5	Fx risk has been significantly reduced with a systematic hedging strategy with a VaR utilization ratio of 25% at the end of Q4-19, absolute VaR hedges standing at US \$4.6m.					
6	Multi-currency disbursements are ongoing and are implemented on a need basis with 1 country already executing multi-currency disbursements and					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - individual		Overall status
1	Fully automated dashboard in Tableau to monitor net FX exposure, including Bloomberg VAR calculation.	Underway	Jun.20	Treasury		Risk mitigation is on track. There are no material delays.
Additional activities		Next steps				

14. Future Funding						
Risk description				Risk owner	ER	
Failure to meet the Global Fund's financial target for the Sixth Replenishment, and following the Sixth Replenishment failure to convert pledges, due to loss of donor support and confidence, major reputational damage, or external factors outside of the Global Fund's control.		Residual risk	Moderate	IRM category	Not applicable	
		Risk appetite	Not applicable	Change since last quarter	No change	
Risk impact		Target risk	Not applicable	Direction of travel	Steady	→
Inability to mobilize a robust pool of new funding for country allocations for the 2020-2022 allocation period to sustain Global Fund-supported programs		Target risk timeframe	Not applicable	GF ability to mitigate	Moderate ability	★★★
		Key Countries/Components				
Root causes		N/A				
1	A negative shift in sentiment towards the Global Fund amongst major donors, whether due to shifts in national politics or international priorities, fatigue with the three diseases, reprioritization of health versus other SDG priorities or reductions in ODA more generally as a result of budgetary pressure or negative domestic politics.					
2	Competition for resources with other institutions or new priorities, and failure to coordinate with partners and organizations working in the global health space to demonstrate complementarity and respective roles/contributions towards the achievement of SDG3 and in the broader health and development context.					
3	Perceived underperformance of the Global Fund, particularly with relation to the Strategy 2017-2022 targets, or misunderstanding and misperceptions related to the Global Fund model.					
4	Perceived de-prioritization or lack of responsiveness by the Global Fund to issues of concern/priority to donors (for example, RSSH, gender equality, geographic focus areas, etc.).					
5	Failure to meet donor expectation, criteria or conditions for continued funding.					
6	Failure to demonstrate progress in expanding the donor base of the Global Fund and in mobilizing other sources of funds.					
7	Under investment in resource mobilization activities leading to inadequate engagement of key decision-makers and influencers; or weak advocacy through civil society or the media.					
Current controls & mitigations		Assurances				
1	Monitoring of budgetary processes and mobilization of political and civil society advocacy partners as well as high-level influencers, particularly where pledge conversion is at risk or where opportunities for an increased pledge has been identified.	1	Donor Government budgets reflect commitments to GF			
2	Close monitoring of political transitions and building strong cross-party support for GF in key donor countries to address increasingly challenging political landscape. Political transitions in 2018-19 bearing monitoring: the United Kingdom, the United States, Sweden, Australia, Denmark, Belgium, the European Commission and Canada.	2	KPI reporting			
3	Coordination arrangements established at all levels internally, with France and India as hosts of the Sixth Replenishment Conference and Preparatory Meeting respectively, as well as key advocacy partners to facilitate joint strategic advocacy and outreach to public and private donors as well as conference preparations.	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 Department of Foreign Affairs and Trade review, and Dutch Scorecard).			
4	Ongoing monitoring to ensure GF meets agreed terms and conditions in donor contribution agreements to ensure payments in line with schedule; regular meetings between DRD, PSED and Treasury on donor payments versus forecast to facilitate proactive ALM; and active foreign exchange management by Treasury to minimize exchange rate volatility impact on GF resources.					
5	Efforts to sustain and strategically expand advocacy support base and expand the Global Fund's donor base.					
6	Monitoring of developments in relation to other replenishments and fundraising efforts in global health planned over 2019-2020, and relevant coordination.					
7	Updated policy framework and enhanced process for screening, due diligence, and risk management in relation to private sector partnerships.					
8	Strong replenishment communications campaign to disseminate messaging on Investment Case and mobilize public and key decision-maker support in donor and implementing countries.					
9	Strengthened oversight of performance to ensure delivery of results through enhanced monitoring across the grant lifecycle, including through regular reporting, Portfolio Performance Committee, KPI reporting, and the Performance and Accountability Framework.					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department		Overall status
						<div><div></div><div></div><div></div></div>
Additional activities		Next steps				

15. Internal Operations					
Risk description				Risk owner	Finance & Administration / IT / Supply Operations
Risks affecting the smooth operation of the Secretariat, reflecting key enterprise level operations at the Secretariat, including enterprise-wide projects, Information Technology (IT), sourcing (indirect procurement), administration and financial controlling.		Residual risk	Moderate	IRM category	Not applicable
Risk impact		Risk appetite	Not applicable	Change since last quarter	No change
Decreased ability of the Global Fund to operate effectively to deliver on its mission.		Target risk	Not applicable	Direction of travel	Steady
Root causes		Target risk timeframe	Not applicable	GF ability to mitigate	Significant ability
1 IT: Key IT risks are segregated into 4 main categories:		Key Countries/Components			
a. Operational Risk: System performance and reliability failures, data unavailability, data loss recoverability and reliability driven by day-to-day IT operations with reduced backup, restoration and data retention periods					
b. Vendor Risk: Poor contract oversight and supplier performance					
c. Solution (Project) Risk: Lack of scope control, cost overruns, quality issues & timeline failures					
d. Information Security Risk: Cyber security incident, accidental or malicious loss of sensitive Global Fund information					
2 Sourcing:					
The Global Fund issues solicitations or contracts that fail to protect the Organization's commercial interests and operations					
3 Financial Controlling:					
a. value for money of HR 'investment' (provisions for MAS/VES, talent pool) for the organization in the absence of structured Strategic Workforce Planning process		N/A			
b. Improper/incomplete reconciliation of grant portfolio to optimize portfolios moving into a new allocation period					
c. Low fund utilization for 2017-2019 Strategic Initiatives					
4 Administration:					
a. Facility/Security: Technical building failure and/or security incidents at the Global Health Campus (GHC)					
b. Lack of business continuity management systems					
c. Lack of staff compliance with existing security procedures					
Current controls & mitigations		Assurances			
IT:		Annual ISO internal and surveillance audits			
1	Key IT systems/applications/infrastructure managed by service providers with high availability and disaster recovery capacity at the Global Health Campus.	OIG audits			
2	All key Secretariat applications migrated to the "cloud" or external high availability service providers reducing GHC Data Center requirements to a bare minimum.				
3	Monthly IT operations and project performance review by CIO and IT Leadership Team				
4	A vendor governance framework has been applied for the Global Fund's Software as a Service (SaaS) providers				
5	Project management training delivered to IT Staff and key project teams; regular review by CIO.				
6	Remediation action plan to address late projects and IT Operational issues in place.				
7	Establishment of an IT transformation office as part of the "One IT" Strategy to ensure alignment of projects with the Global Fund's Strategy and the implementation of a standardized project management and delivery model.				
8	New information security, technology acceptable use and access control regulations approved and rolled out across the organization				
9	Mandatory on-line information security awareness trainings rolled out to Secretariat staff.				
10	The Global Fund's ISMS for Treasury cash payments data & processes, as well as all the related IT operational management processes and facilities of its offices in Geneva have received ISO-27001 certification.				
Sourcing:					
1	All procurement activities must be conducted in the GFS ERP system in accordance with the Global Fund's Procurement Policy and Procurement Regulations, which require that the Global Fund: obtains value for money (VFM), ensures that goods or services are procured competitively where required and applies the principles of efficiency, effectiveness, impartiality, transparency, accountability and procurement ethics.				
2	The Supply Operations Department and Technical Evaluation Committee (TEC) ensure that selection memoranda reflect the Global Fund's Procurement Policy and Regulations.				
3	An exception report is generated and shared on a monthly basis with the CRO and the Head of Supply Operations for all procurement transactions above US \$1,000,000.				
4	ERC subcommittee reviews proposed contracts that incorporate non-standard terms and conditions.				
Financial Controlling:					
1	Initial roll out of Strategic Workforce Planning under the leadership of HR with outcome integrated into 2020 OPEX Budget. HR Controller function operational since September 2019.				
2	Monthly Monitoring Meeting within Program Finance and reporting to MEC and AFC on closure.				
3	Quarterly reforecasts provided to MEC and AFC on Strategic Initiatives fund utilization. Regular meetings organized by SI Coordination Office on progress updates with SI budget holders. USD 6 M already reallocated to Emergency Funding. Deep dives presented to AFC in October 2019.				
Administration:					
Facility/Security					
1	Global Fund-GAVI Partnership Agreement defines responsibilities for governance of new building.				
2	GHC - Maintenance/repairs contracts are in place.				
3	SOPs are in place in case of technical failure.				
4	Dedicated Senior Security Officer (SSO) overseeing security policy and procedures.				
5	Robust security framework, travel security policy, asset management policy and procedures in place.				

15. Internal Operations					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status
IT:					Risk mitigation is on track. There are no material delays.
1	Development and implementation of a Business Continuity Management System (BCMS) in conformity with the ISO-22310 standard.	Underway	Dec.20	IT	
2	Expansion of the scope of the Global Fund's ISO-27001-compliant ISMS to the OIG and Ethics for certification.	Underway	Dec.20	IT	
3	Establishment of a Vendor Management Office to enhance governance, risk management and control implementation around vendors.	Underway	Jul.20	IT	
4	Reinforced IT governance, including new "control gates" for demand review, project approval and operations acceptance, defined and pending finalization.	Underway	Jul.20	IT	
5	Monthly project reviews with project managers, delivery managers and business partnering managers, and quarterly project reviews with business representatives.	Underway	Jul.20	IT	
6	IT roles & responsibilities being reviewed and updated during Phase 2 of the IT Transformation.	Underway	Jul.20	IT	
Sourcing:					
1	Review of the design and operating effectiveness of the Procurement Review Committee.	Underway	Mar.20	Supply Operations	
2	Sourcing will issue guidance to control and maintain the Preferred Supplier List and the list of Direct Suppliers.	Planned	Mar.20	Supply Operations	
3	Update of Procurement Procedures (ongoing).	Underway	Mar.20	Supply Operations	
Financial Controlling:					
1	Work with SI Coordination team on process development for Strategic initiatives using conclusions from OIG advisory. Development of budgeting template and guidelines	Underway	Sep.20	Finance & Controlling	
2	Monitoring, tracking and integration of multi-year Opex contracts in the Opex budget approval process.	Underway	Jun.20	IT and Administration	
Administration:					
1	Develop Crisis Management Plan	Planned	Jan.20	Administration	
Additional activities		Next steps			
1	Backup of Global Fund Dynamic Host Configuration Protocol (DHCP) server that provides IP addresses to the computers at GHC.				

16. Integrated Grant Policies, Processes, Systems & Data						
Risk description				Risk owner	GMD	
Lack of integrated policies, processes, systems and data to manage programs throughout the grant life cycle.		Residual risk	Moderate	IRM category	Not applicable	
Risk impact		Risk appetite	Not applicable	Change since last quarter	No change	
Weaknesses in grant and risk management, inefficiency and high transaction costs in managing grants, and weakened internal controls.		Target risk	Not applicable	Direction of travel	Decreasing	
Root causes		Target risk timeframe	Not applicable	GF ability to mitigate	Significant ability	★★★★
1	Limited assessment of the operational feasibility and implications of Board-approved policies.	Key Countries/Components N/A				
2	Limited internal capacity to assess and implement changes to grant management systems resulting from new business requirements.					
3	Frequent policy changes that limit the Secretariat's ability to maintain up to date processes, systems and data.					
4	Nascent change control structures to identify and manage interdependencies between systems, processes and data.					
5	Inconsistent approaches to documentation of policies, regulations, procedures and processes.					
6	Limited monitoring of business process controls.					
7	Lack of standards and guidance on data management, and limited data availability.					
Current controls & mitigations		Assurances				
1	The majority of processes throughout the grant lifecycle have been automated and integrated on the Grant Operating System (GOS), including Funding Request, Grant Making, Grant Implementation, Disbursements, Grant Revisions and Grant Closures.	1	Monitoring of business process controls			
2		2	OIG audits			
3		Exception reporting for monitoring of select key business process performance.				
4		Data Governance Committee established, and program of work agreed, to review and implement improvements to the Secretariat's approach to data management.				
5		Creation of two permanent and one temporary AIM-supporting Integration Specialist positions to help identify and manage interdependencies between systems, processes, policies and data.				
6		Implementation of the Operational Launch Planning enhancing the Secretariat's ability to maintain up to date processes, systems and data.				
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status	
1	Development of a comprehensive suite of reports for monitoring performance: programmatic, financial, operational and effectiveness of processes. (All dashboards have been built and rolled out with the exception of Grant Revisions, that is scheduled for Q2 2020.)	Underway	Jun.20	IT	<div><div></div></div>	Risk mitigation is progressing but there are also some material delays.
2	Implementation of the Data Governance Program, currently focused on developing data lifecycle regulations.	Underway	Mar.20	IT	<div><div></div></div>	
Additional activities		Next steps				




17. Risk Management & Internal Controls

Risk description			Risk owner	Risk		
Weaknesses in identification of key risks, corresponding controls, assessment of impact, and prioritization and monitoring of controls and mitigating actions for both grant-facing and internal risks.		Residual risk	Moderate	IRM category	Not applicable	
		Risk appetite	Not applicable	Change since last quarter	Reduced	
		Target risk	Not applicable	Direction of travel	Steady	➡
		Target risk timeframe	Not applicable	GF ability to mitigate	Significant ability	★★★★
Divergent understanding of risks leading to ambiguity in accepting or managing risks, and inconsistency of responses across the first and second lines of defense. Inadequate risk management and internal control gaps resulting in the Global Fund not meeting its objectives.						
Root causes		Key Countries/Components				
1	Risk management not adequately embedded into Global Fund operations, and decision making processes	N/A				
2	Variable understanding of risk management responsibilities across the first two lines of defense					
3	Limited operationalization of key policies, processes and tools					
4	Inadequate implementation and follow up of prioritized risk mitigations, and quality and timely assurances					
5	Lack/non-use of standardized risk approaches and tools for decision making and risk acceptance					
6	Weakness in the control environment including inadequate standards, processes and structures that provide the basis for internal controls					
Current controls & mitigations		Assurances				
First Line:		1 Organizational Risk Register				
1	Proactive risk management across the grant life cycle, with clear roles and responsibilities of the first and second lines of defense with respect to differentiated risk assessments for High Impact, Core and Focused portfolios, risk identification, prioritization and mitigation, capacity assessments, comprehensive assurance planning and monitoring, in-country validation and reporting, and related activities.	2 Integrated Risk Module				
2	Use of Integrated Risk Management module to facilitate improved and streamlined risk identification/planning of mitigations, assurances and follow up	3 Chief Risk Officer's Annual Opinion and Semi-Annual Risk Management Report				
3	Portfolio Performance Committee driving greater focus on key risks and mitigations linked to objectives in prioritized countries. Use of Country Risk Management Memorandum to facilitate structured approach to risk trade-offs and risk acceptance with a focus on key mitigating and assurance actions for Core and High Impact portfolios.	4 OIG Annual Report and Opinion on Governance, Risk Management and Internal Controls of the Global Fund				
4	Ongoing application of CoE flexibilities to improve program delivery in contexts with high external risks.					
5	Active risk management undertaken by Secretariat business units through selected use of departmental risk registers to structure risk assessment and mitigation, and exception reporting for monitoring of select key business process controls.					
6	Performance & Accountability framework, including Business Process Model, in place to drive process performance and accountability across the Secretariat, with clear roles and responsibilities, decision-making authorities, and key controls. Routine monitoring of process efficiency and effectiveness metrics through reporting					
Second Line:						
7	Ongoing risk oversight of funding requests, grant-making and approvals, and annual funding decisions and disbursements to ensure effective embedding of risk management across the grant lifecycle.					
8	Ongoing Global Risk Owner engagement in risk rating validations using outcome indicators, prioritization of mitigation actions and assurance to ensure improved alignment across second line of defense functions.					
9	Matured Enterprise Risk Committee process driving improvement in managing key organizational risks with greater focus on mitigating actions and ensuring linkages with strategic goals.					
10	Finance and Controlling risk monitoring, management and exception reporting for key external and internal controls, to strengthen the control environment through an active feedback loop focused on improvement.					
11	Risk measurement framework in place to ensure standardized and objective risk assessment across the portfolio and to facilitate ongoing Risk Appetite-based decision making for 9 key organizational risks.					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status	
First Line:						
1	Identify and agree key mitigating actions and key assurance activities at the grant and country levels to align focus and drive accountability for key actions across the lines of defense. Establish routine monitoring of key mitigating actions and assurance activities to drive greater progress and completion.	Underway	Jun.20	GMD	Risk mitigation is progressing but there are also some material delays.	
2	Implement improvement action plans to strengthen internal controls in line with the COSO framework for key business processes and in conjunction with operational launch planning for the grant lifecycle.	Underway	Dec.20	GMD, Treasury, Human Resources		
3	Implement action plans to advance maturity of Secretariat business processes to drive process improvement and quality and effectiveness of controls.	Underway	Dec.21	All Process Owners		
Second Line:						
4	Conduct review of key risks and effectiveness of key mitigation measures, internal controls and assurance arrangements with international non-governmental organizations by a cross functional team to identify changes needed to strengthen assurance arrangements and/or framework agreements.	Underway	Jun.20	Risk		
5	Completion of new and/or updated Key Business Process Reviews to assess the system of internal controls for prioritized processes in line with business needs and operational launch planning for the grant lifecycle.	Underway	Dec.20	Risk		
6	Improve coordination, embed risk management and improve internal controls in the Supply Operations Department.	Underway	Dec.20	Supply Operations		
7	Develop framework and associated policies and procedures for coordination of second line oversight and risk management, to improve consistency and efficiency across all second line functions, based on an assessment of the current state and opportunities for improvement.	Planned	Dec.20	Risk		
Additional activities		Next steps				



18. Legal						
Risk description				Risk owner	Legal and Governance	
1	<i>Contract risk</i> : exposure to counterparty risk and assumption of legal obligations to counterparties.	Residual risk	Moderate	IRM category	Not applicable	
2	<i>External legal risk</i> : exposure to local laws, regulatory and judicial processes and compliance costs.	Risk appetite	Not applicable	Change since last quarter	No change	
3	<i>P&I risk</i> : absence of legal protections vis-à-vis countries where Global Fund is active (e.g. grant management, audits/investigations, procurement, financial transactions) or has assets, including where certain activities may be outside the scope of P&Is granted in certain countries.	Target risk	Not applicable	Direction of travel	Steady	→
4	<i>Internal legal risk</i> : failure to observe Global Fund policies, rules and procedures; inconsistencies and/or overlap among policies, rules and procedures.	Target risk timeframe	Not applicable	GF ability to mitigate	Moderate ability	★★★
Risk impact		Key Countries/Components				
1	<i>Contract risk</i> : business teams' acceptance of terms that provide less protection, oversight and/or assurance of Global Fund resources and interests; authority and enforceability issues; contract obligations inconsistent with Global Fund policies, regulations and procedures.	Contract risk: countries where counterparties are organized and/or active. External legal risk: countries where the Global Fund is active or has assets. P&I risk: 19 have signed P&I Agreements, of which 11 have ratified. The P&I Agreement is now in effect. Signatories (if ratified, in bold): Botswana, Burkina Faso, Burundi, Côte d'Ivoire, Ethiopia, Georgia , Ghana, Liberia, Malawi, Moldova , Montenegro, Mozambique, Niger, Rwanda, Senegal, Swaziland, Togo , Uganda and Zimbabwe 4 states have granted P&Is under domestic law: Switzerland, United States, Uganda and Zimbabwe Internal legal risk: N/A				
2	<i>External legal risk</i> : compliance costs; potential violation of local laws by Global Fund or implementers; potential enquiry, investigation and/or enforcement by external authority.					
3	<i>P&I risk</i> : limited ability to protect and maximize impact of Global Fund resources; conduct resource mobilization; protect governance officials and staff; deliver life-saving commodities; protect data and information assets; pursue recoveries.					
4	<i>Internal legal risk</i> : weak foundation for governance and internal controls; decisions, exceptions and waivers approved by function without authority to do so; transaction inefficiencies; framework not in place for new initiatives/business evolution.					
Root causes						
1	<i>Contract risk</i> : inconsistent use by business teams of standard terms and templates result in Global Fund accepting legal obligations and incurring compliance costs in contracts with suppliers, partners and other third parties.	Assurances 1 Tracking of selected contract deviations presented by business teams. 2 Protection of P&Is (where granted) in countries where the Global Fund is active or has assets; legal opinions of local counsel. 3 Signed and ratified country-specific P&I Agreements. Entry into force of P&I Agreement. P&Is under domestic laws in certain countries. 4 Legal acts as independent advisor to Board, Committees, Secretariat and OIG on internal policies, rules and procedures				
2	<i>External legal risk</i> : new initiatives and expansion of Global Fund activities from "core business"; increasing regulation affecting areas such as AML/CFT, procurement, insurance, derivatives, securities, resource mobilization, data privacy and others.					
3	<i>P&I risk</i> : legal risks and costs from absence of P&Is not consistently understood across the business; reliance on key country stakeholders; dual charity/international organization status within Switzerland and US, and variable understanding of non-treaty based international organizations under international law.					
4	<i>Internal legal risk</i> : lack of centralized knowledge management system for Global Fund policies, rules and procedures; decentralized rule-making, implementation and training/communication; no formal compliance structure.					
Current controls & mitigations						
1	<i>Contract risk</i> : Legal advice to business teams on use of Global Fund standard terms and templates; entry into force of revised Delegations of Signature Authority providing for risk-tailored contract clearance (e.g. legal, finance, business, OIG and escalated EGMC / ERC members' review as appropriate).	1	Tracking of selected contract deviations presented by business teams.			
2	<i>External legal risk</i> : engagement with Swiss mission on legal status; assertion of P&Is (where available); advice of local counsel in certain areas (where external risks identified); contractual limitations of liability (where standard terms and templates are used); new guidance to business teams on selected areas of regulatory risk; streamlined process to engage external legal advisers; monitoring of sanctions and obtaining licenses (where appropriate).	2	Protection of P&Is (where granted) in countries where the Global Fund is active or has assets; legal opinions of local counsel.			
3	<i>P&I risk</i> : new PIAG met in July 2019 and GF management agreed on the need to take a prioritized and targeted approach focusing on selected countries. External legal advice on impact of the US Supreme Court's Jam v. IFC decision: as a general matter, the Global Fund's overall exposure to litigation in the U.S. is limited to certain areas even after the Jam decision; however, it is important for business teams to consult with the Legal Department prior to engaging in any planned activity – especially any new initiatives – which may have a connection to the United States. Countries' obligations to confer P&Is pursuant to signed framework agreements to be noted in 2020-2022 allocation letters; further leveraging engagement of governance and high-level officials of the GF with heads of States, heads of Governments and Ministers of Foreign Affairs has proved to be highly effective in the past.	3	Signed and ratified country-specific P&I Agreements. Entry into force of P&I Agreement. P&Is under domestic laws in certain countries.			
4	<i>Internal legal risk</i> : ED approval of internal Legal Framework and ongoing updates to, and maintenance of, maps of Global Fund policies, rules and procedures; EGMC approval of Operational Policy Framework and Operational Change Group Terms of Reference; Legal clearance of decisions and policies presented to the Board and its standing Committees; embedded Legal Counsels advise CTs; Legal development of policy maps showing currently effective policies, rules and procedures.	4	Legal acts as independent advisor to Board, Committees, Secretariat and OIG on internal policies, rules and procedures			
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status	
1	<i>Contract risk</i> : revision of procurement standard terms and communications; training/communications to strengthen business teams' use of Global Fund standard terms and contract templates, and business teams' systematic early involvement of Legal.	Underway	Dec.20	Legal and Governance	Risk mitigation is on track. There are no material delays.	
2	<i>External legal risk</i> : review of arbitration and governing law provisions in Global Fund standard terms and contract templates; integration of personal data privacy clauses in procurement standard terms and conditions on opt-out (rather than opt-in) basis.	Underway	Dec.20	Legal and Governance		
3	<i>Internal legal risk</i> : Implementation of clearer documentation and communication of ED decisions and MEC deliberations. Review of delegated authority of Secretariat committees, to be presented for ED decision/MEC deliberation on standardization of Terms of Reference as well as definitions of 'committees', 'steering committees' and 'working groups'. Potential revisions to current Terms of Reference contingent upon ED decision and MEC deliberation.	Underway	Dec.20	Legal and Governance		
Additional activities		Next steps				
1	<i>Contract risk</i> : business teams' assessment of contract deviations as part of RFP and counterparty selection process.					
2	<i>External legal risk</i> : business teams' assessment of external compliance costs with legal advice; development of standard liability disclaimers.					
3	<i>Internal legal risk</i> : alignment of Legal Framework with Performance & Accountability Framework.					


19. Governance and Oversight						
Risk description				Risk owner	Legal and Governance	
Failure to adequately prioritize strategic issues, address identified challenges in governance culture and practices, and guide the Global Fund to remain relevant and successful in a changing global landscape.		Residual risk	Moderate	IRM category	Not applicable	
Risk impact		Risk appetite	Not applicable	Change since last quarter	No change	
Weaknesses in governance and oversight can affect governance effectiveness, the ability of the Board to provide clear direction and take informed and strategic decisions, and impede optimal governance efficiency.		Target risk	Not applicable	Direction of travel	Steady	→
Root causes		Target risk timeframe	Not applicable	GF ability to mitigate	Moderate ability	★★★
1	Global Fund governance structure, composition and operations remain largely unchanged since its inception despite significant changes in global health architecture					
2	Evolving framework for managing Board-related conflicts of interest					
3	Challenges in aligning Board and committee agendas linked to strategic objectives					
4	Large volume of information hampers decision making					
5	Need for greater alignment on management of cross cutting issues by the Board, its leadership, Coordinating Group and Committees					
6	Instances of lack of trust between Board, Committees and Secretariat may lead to a culture of over-consultation, insufficient delegation and a resulting lack of focus on strategic issues.					
7	Committee selection processes are time and resource intensive, with challenges around balanced representation, transparency, candidate pools, diversity, and procedural clarity.					
8	Inconsistent levels of engagement by Board constituencies					
Current controls & mitigations		Assurances				
1	Additional Public Donors Constituency provides a non-voting Board seat, and committee seat, allowing route into Global Fund governance for additional donors. In addition, revised Donor Group Framework provides routes for voluntary and guaranteed integration of additional donors into the voting donor constituencies of the Board. Strong Board Leadership in place with complementary skills and strong focus on ongoing resource mobilization.			1	Chief Risk Officer's Annual Opinion and Semi-Annual Risk Management Report	
2	Ethics and Integrity Framework and Code of Conduct for Governance Officials guides behaviours in decision-making. Ethics training is part of standard onboarding of Governance Officials.			2	OIG Annual Report and Opinion on Governance, Risk Management and Internal Controls of the Global Fund	
3	Criteria for strategic agenda development in place for Board and committees. Strategic agenda setting is a focus of the CG and Board Leadership.			3	Governance Performance Assessment Framework (external review of Board, Board leadership and Committee performance)	
4	Onboarding Framework endorsed by EGC in 2018 and now in routine implementation for Board and committees. Onboarding approach includes standardized onboarding program for Board leadership; enhanced onboarding program for Committee leadership.					
5	Board documents adapted to focus on strategic input needed for decision making. Secretariat writers trained in writing for Board. Enhanced quality assurance by Governance team. Attention to continuous improvement.					
6	Risk Management is now a standing item on Board and committee agendas. AFC leads the oversight of risk at committee level.					
7	Updated Constituency Management Guidelines endorsed by EGC and issued to Board, providing best practice guidance on constituency management (Mar 2019). Guidance Note for Constituency Dispute Resolution endorsed by EGC (March 2018) (provides guidance and an escalation mechanism in case of dispute within a constituency). Enhanced Governance team focus on providing support to constituencies to instigate routine review and continuous improvement of internal practices, in line with new Constituency Management Guidelines.					
8	Strengthened Board Leadership Selection Process reflecting a number of best practice principles adopted by the Board in 2018 (implemented successfully in 2019).					
9	Revised Governance Performance Assessment Framework adopted by the Board in Q3 2019.					
10	Coordinating Group strengthened facilitating improved coordination between the Board and the committees on cross-cutting issues.					
11	Funding provided to Implementer Constituencies to support their effective engagement at the governance level, with increased funding envelope approved by EGC for next 3-year cycle (2020-2022).					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department	Overall status	
1	Implementation of Governance Action Plan, which defines a suite of governance-strengthening initiatives, and serves as a monitoring and accountability tool, with routine reporting to EGC (and OIG) on progress.	Underway	Dec.20	LGD	Risk mitigation is on track. There are no material delays.	
2	Revisions to the Code of Conduct for Governance Officials, presented to the EGC in October 2019 and shared with the Board for consultations. (Revised version to reflect key findings and recommendations from the EGC Governance Culture Initiative).	Planned	Dec.20	LGD		
3	Review of Board composition – scheduled for 2020.	Planned	Dec.20	LGD		
4	Review of committee mandates for clarity, to avoid overlap, and to ensure appropriate levels of delegation from Board to committees. Considered by EGC in July 2019. The EGC agreed to return to this item in 2020 following completion of two committee terms. In addition, the Governance Culture Task Force is preparing an assessment to contribute to this work.	Planned	Dec.20	LGD		
5	Conversation on elevating Board discussions started at EGC level in order to ensure most strategic and focused discussions at Committee and Board level. Board Leadership, together with CG, focused on this theme. B42 was agenda designed to bring opportunities for interactive discussion on broad strategic issues. Efforts will continue to further elevate the Board discussions.	Underway	Dec.20	LGD		
6	Governance culture initiative initiated by EGC, with culture recognized as an overarching theme of the Governance Action Plan, impacting on governance strengthening initiatives and action items. First phase completed in Q4 2019. Time-bound Task Force established to support the design and implementation of Phase two, scheduled to conclude (with recommendations to the Board – take out if too long) in Q2 2020.	Underway	May.20	LGD		
Additional activities		Next steps				
1	Broader efforts to strengthen Board culture, trust and strategic focus.					

20. Organizational Culture

Risk description				Risk owner	HR		
Failure to drive a performance based and ethical culture and ensure all staff and governance officials uphold and demonstrate the Global Fund's corporate values, and the behaviours needed to maximize operational efficiency and effectiveness .		Residual risk	Moderate	IRM category	Not applicable		
		Risk appetite	Not applicable	Change since last quarter	No change		
Risk impact		Target risk	Not applicable	Direction of travel	Steady		
Operational inefficiency, reduced workforce capacity and operational effectiveness, and a negative impact on staff wellbeing.		Target risk timeframe	Not applicable	GF ability to mitigate	Significant ability		
Root causes		Key Countries/Components					
1	Direction from senior management on aspirational culture is not consistently cascaded or demonstrated.	N/A					
2	Variable people management capability results in inconsistent articulation of expected performance levels to staff, an inability to address poor performance, and limits staff development.						
3	Operational inefficiencies, lack of process definition and performance targets and lack of accountability limits prioritization of work, collaboration, and increases staff workload.						
4	Lack of an attractive rewards philosophy, hinders the organization's ability to attract, retain, motivate and reward talent and align organizational need and capacity.						
5	Breaches of the code of conduct, unethical behaviour and conflicts of interest.						
Current controls & mitigations		Assurances					
1	Articulated and approved leadership profile, to drive the espoused values and behaviors.	1	Ombudsman				
2	Leadership and manager capability development to drive accountability, performance, psychological safety and staff wellbeing.	2	Staff Council				
3	Implementation of annual wellness strategy inclusive of wellness week and lunch time wellness sessions.	3	Staff Counsellor				
4	Ethics and Integrity framework, and Ethics Policy, including Conflicts of Interest, in place, underpinned by processes for Ethics case management and conflict of interest reviews.						
5	Updated Code of Conduct for Staff, updated Bullying and Harassment Policy, and updated investigations and disciplinary procedures facilitating enhanced accountability and control.						
6	Code of Conduct for Board and governance officials in place.						
7	Continued awareness raising and related trainings on ethics and integrity.						
8	49 training sessions on dignity in the workplace delivered, covering 750 participants (employees and consultants).						
9	Total rewards review has been completed: Our rewards philosophy has been articulated reflecting our aspirational cultural values. New rewards structure launched for new hires.						
10	Based on the engagement survey results and focus group discussions, organizational action plans articulated and approved by MEC, with MEC members as owners for specific actions.						
11	Division / Departmental / Team action plans articulated and approved.						
12	Implementation of the revised investigation and disciplinary processes.						
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department		Overall status	
1	Organizational and Divisional / Departmental / Team action plans based on the engagement results planned for implementation through 2020.	Planned	Dec.20	MEC		 Risk mitigation is on track. There are no material delays.	
2	Pulse surveys to be implemented, to evaluate the effectiveness of implementation of the action plans and monitoring progress.	Underway	Dec.20	HR and MEC			
3	Continued implementation of the leadership program 'Elevate', launched in 2019, to train management on the leadership profile.	Underway	Dec.20	HR			
4	Performance and talent management review to provide the organization and people managers with tools and capabilities to evaluate performance objectively, take accountability and nurture talent (Change management plan drafted and under implementation through 2020).	Underway	Mar.20	HR			
5	Operationalize Performance and Accountability Framework including definition of Business Process Model to drive process performance and accountability across the Secretariat through establishment of clear roles and responsibilities, decision-making authorities, key controls and metrics. First round of discussions done on action plans to advance maturity of Secretariat business processes. Establish metrics for monitoring process efficiency and effectiveness.	Underway	Dec.20	MEC			
6	Strategic workforce planning to assist the organization in work and resource prioritization enhancing organizational effectiveness.	Underway	Dec.20	MEC			
7	Ethics Office focus on updating, strengthening and operationalizing of ethics policies, integrity framework and codes of conduct and supporting processes.	Underway	Jun.20	Ethics			
Additional activities		Next steps					

21. Workforce Capacity, Efficiency and Wellbeing

Risk description				Risk owner	HR	
Lack of work planning and resource prioritization, over commitment at Division / Department level, inefficient business processes and in some cases supervisory weakness, create conflicting priorities, workload pressures and have a negative impact on staff health and wellbeing.		Residual risk	Moderate	IRM category	Not applicable	
		Risk appetite	Not applicable	Change since last quarter	No change	
Risk impact		Target risk	Not applicable	Direction of travel	Steady	
Unable to deliver on organizational objectives as a consequence of inadequate work planning, inadequate prioritization, process inefficiency, and poor staff management. This results in some employees being overstretched, which has a negative impact on the ability of the organization to deliver on its objectives and, in some cases, a negative impact on personal wellbeing and the wellbeing of team members, who are required to take on additional work.		Target risk timeframe	Not applicable	GF ability to mitigate	Significant ability	
		Key Countries/Components				
Root causes		N/A				
1	Overly ambitious workplans, lack of work prioritization and inability to plan resources (Human and Financial) have led to uneven, ad hoc and unsustainable workloads.					
2	Inefficient business processes driving down productivity.					
3	Inadequate people management capability to drive performance and support talent development.					
4	Lack of alignment between performance management, rewards strategy, target culture and targeted efficiency levels.					
5	Significant organizational change and shifting priorities, in combination with a lack of staff resilience, leading to change fatigue and loss of motivation / engagement.					
6	Budgetary pressures combined with an ambitious Strategy and implementation plan.					
Current controls & mitigations		Assurances				
1	Corporate planning process articulated and approved by the MEC, with first cycle planned for 2020, aligned to budget and workforce planning cycles.	1	Ombudsman			
2	Implementation of annual wellness strategy inclusive of Workday manager dashboard launch providing managers with an effective tool for managing their teams / departments / divisions.	2	Staff Council			
3	Manager and employee capability development programs aligned to organization strategy and needs have been articulated and being delivered as part of Learning and Leadership Development Strategic Initiative.	3	Staff Counsellor			
4	Implementation of annual wellness strategy inclusive of wellness week and lunch time wellness sessions.	4	Occupational Health Provider			
5	Targeted team interventions to proactively tackle staff wellbeing issues.	5	Reporting on medical leaves			
6	Occupational Health Advisor facilitating return to work in cases of long-term absence.	6	OIG functional audits			
7	Ombudsman, Staff Council and Staff Counsellor in place for staff support.					
8	Delivering capability development training to managers on the Global Fund leadership profile.					
9	Total rewards review has been completed: Our rewards philosophy has been articulated reflecting our aspirational cultural values. New rewards structure launched for new hires.					
10	As part of workforce planning 2020, additional surge capacity allocated to department, mostly linked to grant making.					
11	As part of corporate planning process 2020, the MEC has agreed to review divisional/departmental workplans and reallocate workforce as required.					
12	Performance and Accountability reporting done on quarterly basis focusing on areas for efficiency / effectiveness.					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department		Overall status
1	Design, implement workforce planning in an incremental manner (Tactical, Operational and Strategic) to ensure manager capability development and organizational readiness.	Underway	Dec.20	Human Resources		Risk mitigation is on track. There are no material delays.
2	Implementation of the refreshed performance management process to enable us to drive a performance based culture and manage under-performance.	Underway	Mar.20	Human Resources		
3	Organizational Change Management: Training to strengthen organizational internal capability to plan, drive and adopt change effectively being offered to employees.	Underway	Dec.20	Human Resources		
Additional activities		Next steps				

22. Reputation						
Risk description				Risk owner	OED	
Reputational harm can be caused by problems that emerge unexpectedly from control weaknesses, performance issues, poor governance or oversight, or events beyond the control of the Global Fund. Misleading or disproportionately negative media coverage of misuse of funds or other inappropriate activities can amplify reputational harm.		Residual risk	High	IRM category	Not applicable	
		Risk appetite	Not applicable	Change since last quarter	No change	
Risk impact		Target risk	Not applicable	Direction of travel	Steady	
Reputational damage can lead to potential loss of future donor funding and ability to achieve impact against the three diseases.		Target risk timeframe	Not applicable	GF ability to mitigate	Moderate ability	★★★
		Key Countries/Components				
Root causes		N/A				
1	Misleading news coverage can be influenced by political factors					
2	Complexity of global health operations prevent simple interpretation and allow misinterpretation					
3	OIG and other reports that identify misuse of funds or other serious issues					
4	Potential misstep in Board selection process					
5	Performance issues or internal control weaknesses					
Current controls & mitigations		Assurances				
1	Proactive identification of potential issues by country teams and senior management.	1	Country Teams reports;			
2	Ongoing strengthening of risk management oversight for High Impact and Risk portfolios including COEs continual focus on strengthening organizational maturity for risk management, internal controls and governance.	2	Risk Department reviews;			
3	Focus on key organizational risks by Enterprise Risk Committee.	3	Communications Department.			
4	Continual focus on strengthening organizational maturity for risk management, internal controls and governance, including strengthening and build out of internal control environment. Roll out of the Grant Operating System (GOS) has automated and integrated processes across the grant life cycle.					
5	Proactive, agile communications strategy by Communications Department.					
6	Prioritization of stakeholder relationship management, including through proactive engagement by senior leadership and engagement of governance officials.					
7	Performance & Accountability framework, including Business Process Model, in place to drive process performance and accountability across the Secretariat, with clear roles and responsibilities, decision-making authorities, and key controls. Routine monitoring of process efficiency and effectiveness metrics through reporting to Management Executive Committee.					
Controls & mitigations in development or planned		Category	Target completion (MM/YY)	Mitigation owner - department		Overall status
1	Ethics Office focus on updating, strengthening and operationalizing of ethics policies, integrity framework and codes of conduct and supporting processes and roll out of Integrity Due Diligence (IDD) framework. Policy updates due to go to relevant Committees and Board in October / November. The IDD framework is already up and running with PSE. Sourcing for high value tenders is the next area of focus. Roll out is due to complete, covering all third parties, by end 2019. (Pilot due diligence assignments already running at request of countries. Focus is now in defining approach for the implementer base.)	Underway	Jun.20	Ethics		<div><div></div><div></div><div></div></div> <div>Risk mitigation is on track. There are no material delays.</div>
Additional activities		Next steps				

Definitions:

The Organizational Risk Register (ORR) is designed to give the Global Fund's management visibility of key organizational risks, and drive organizational alignment around, and focus on, mitigations. The ORR catalogues key organization-wide risks that could have an adverse impact upon the Global Fund's ability to meet its strategic objectives.

Risk impact: the impact if the risk materializes.

Root causes: the factors driving the risk.

Current controls and mitigations: key mitigating actions and controls (both preventive and detective) that are already in place and part of business as usual.

Controls and mitigations in development of planned: key mitigating actions or controls that are still being designed, implemented or where work has yet to start.

Category: is the mitigation planned or is work to implement the mitigation already underway?

Target completion: when is the implementation of the mitigation due to complete?

Mitigation owner: which department is responsible for implementation of the mitigation?

Overall status: at an aggregate level what is the status of the implementation of all listed mitigations?

Additional activities: activities that have been identified as necessary but where there is not yet agreement on whether or how they will be implemented.

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.

Residual risk: the remaining risk level assuming current controls and mitigations are working as expected.

Risk levels are mapped across a 5-point scale based on the severity of the impact on the Global Fund's ability to achieve its strategic objectives and deliver on the mission. The likelihood of the risk occurring is also taken into account. The 5-point scale is:

Very High
High
Moderate
Moderate-Low
Low

For risks 1 to 8 the residual risk level is calculated using an aggregate risk rating for all 53 High Impact and Core portfolios.

Risk appetite (where applicable): is the amount of risk, at a broad level, that an organization is willing to accept in pursuit of its strategic objectives.

Target risk (where applicable): is the risk level that the Global Fund would like to drive towards over time.

The risk appetite cohort for risks 1,2, 5, 6 and 7, which are non-commodity related risks, is the top 25 countries by allocation amount.
The risk appetite cohort for risks 3, 4 and 8, which are commodity related risks is the top 20 countries by commodity budget.

Change since last quarter: the change (if any) in the residual risk level since the last quarter.

Direction of travel: the expected trajectory of the risk level over the medium term based on currently available information:



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

Steady: The inherent risk is static and additional mitigating actions need to be implemented to decrease the risk level.

Decreasing: The inherent risk is reducing.

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:

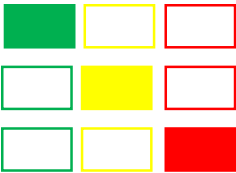
- 5: High ability to mitigate
- 4: Significant ability to mitigate
- 3: Moderate ability to mitigate
- 2: Minor ability to mitigate
- 1: Minimal ability to mitigate



Status of Progress on Ongoing & Planned Mitigations (to achieve target risk):

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.

- Risk mitigation is on track. There are no material delays.
- Risk mitigation is progressing but there are also some material delays.
- Risk mitigation is not on track and there are significant delays.



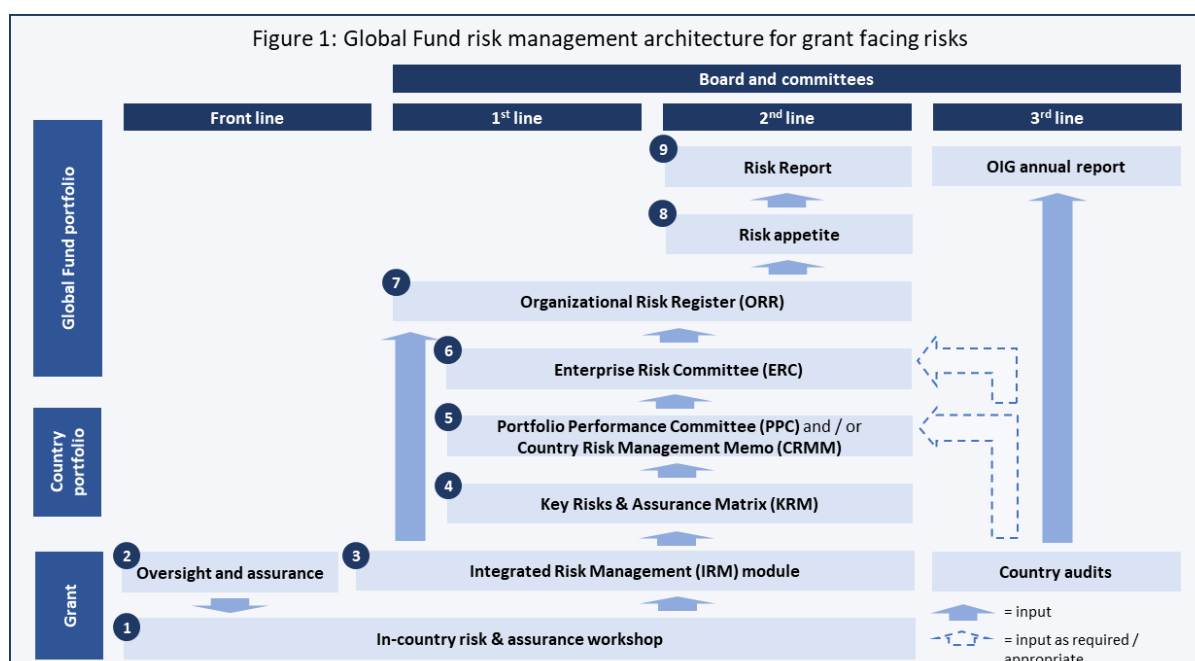
Annex 3: Guide to risk management

The Global Fund employs a ‘three-lines of defense’ risk management model.

- The 1st line, which is made up of business functions such as Grant Management, owns and manages risks on a day to day basis.
- The 2nd line, which is made up of monitoring and control functions such as the Risk Department, defines the risk management framework and provides oversight and guidance.
- The 3rd line, e.g. OIG, provides independent audit and assurance for of the 1st and 2nd line.

At an organizational level the Global Fund is currently managing 22 risks, which are divided into three categories: external grant-facing risks (11), external non-grant-facing risks (2), and corporate risks (9). (See annex A for a list of the 22 organizational risks.) This guide focuses on external grant-facing risks.

In addition to the three lines of defense, in-country actors also play a critical role in managing the 11 grant-facing risks. Implementers, in-country partners, Country Coordinating Mechanisms (CCMs), Local Fund Agents (LFAs) and other actors manage risks on the ground and provide assurance that risk mitigations are in place or being implemented. Figure 1 illustrates the overarching architecture for managing the 11 external grant-facing risks.



- 1. In-country risk & assurance workshop:** are run in country, involving implementers, CCMs and Country Teams. They are used to identify risks to grants and to agree on mitigating actions and assurance activities. The risks, mitigating actions and assurance activities identified through these workshops feed into the Integrated Risk Management module.
- 2. Assurance activities:** enable the Global Fund to assure the extent to which risk mitigations are being implemented and having the intended impact. Local Fund Agents (LFAs) are key assurance providers. CCMs and partners can also provide assurance.
- 3. Integrated Risk Management (IRM) module:** is an online platform that is fully integrated into the Global Fund's Grant Operating System (GOS). GOS is the system used by Country Teams to manage grants across the grant life cycle. The IRM is used by Country Teams to manage risks within their

country portfolio. Risks are assessed and rated in the IRM at a grant level. These individual grant risk ratings are then aggregated to generate an organizational risk rating for key cross-cutting risks¹, i.e. the 8 organizational grant-facing risks captured and tracked in the Organizational Risk Register. Risk ratings captured in the IRM also feed into decision-making documents, e.g. the Country Risk Management Memorandum.

4. **Key Risk & Assurance Matrix (KRM):** contains a summary of key country portfolio risks, mitigating actions and assurance activities. A KRM is one of the key inputs into the Country Risk Management Memorandums (CRMM) and enables senior management to focus their attention on the key risks that could prevent program or grant objectives from being achieved. The KRM is automatically generated through the IRM.

5. **i) Country Risk Management Memorandums (CRMMs):** are an input into Country Portfolio Reviews (CPR) and are used to ensure senior management has visibility of grant risks, mitigations and trade-offs; to secure senior management acceptance of risks; and to provide approval of country risk management strategies. A CRMM is generated each year for all High Impact and Core portfolios. If a country portfolio is undergoing a CPR, the CRMM will be included in the CPR presentation materials, otherwise it is reviewed and approved by the Head of Grant Management and the Chief Risk Officer.

ii) Portfolio Performance Committee (PPC): conducts CPRs of High Impact and Core portfolios. CPRs are one of the principal mechanisms through which the Secretariat's senior management collectively reviews progress in individual country portfolios and risks to achieving impact. CPRs play a critical role in enabling the Secretariat to balance fiduciary risk and programmatic impact. The PPC ensures there is an appropriate balance of controls and can take risk trade-off decisions, in line with Board approved risk appetite, including accepting increased risk in order to drive greater programmatic impact.

6. **Enterprise Risk Committee (ERC):** the ERC reviews progress and provides input on managing the organizational risk profile and mitigating key organizational risks. The key way in which the ERC fulfils this mandate is through 'deep dives' on specific risks. The ERC conducts deep dives on different organizational risks, taking into account residual risk levels, risk trajectories, emerging issues, and in response to points raised by the Board, committees, the MEC, the Office of the Inspector General (OIG) and / or other stakeholders.

7. **Organizational Risk Register (ORR):** catalogues the Global Fund's key organizational risks and the various controls and mitigations in place and planned to maintain or reduce the risk level. Each organizational risk catalogued and tracked through the ORR is owned by the 1st line and overseen by the 2nd line.

A. Information included in the ORR includes:

- Residual risk level = the remaining risk level assuming current controls and mitigations are working as expected.
- Direction of travel = the expected trajectory of the risk level over the medium term based on currently available information.

The ORR is updated on a quarterly basis and submitted to MEC for review. The most recent ORR update is also included in the Risk Report and the Chief Risk Officer's Annual Opinion.

8. **Risk appetite:** Risk appetite is the amount of risk, at a broad level, that an organization is willing to accept in pursuit of its strategic objectives. It provides a framework to assist management in making trade-off decisions around key organization wide risks, including programmatic and financial risks. The Board set risk appetite for 8 grant-facing risks in line with the current risk level. This reflected the decisions that the Global Fund had been making by accepting these risks in order to deliver on the mission.

¹ Individual grant risk ratings are aggregated to generate an organizational risk rating for 8 of the 11 external grant-facing risks. These are the same 8 risks for which risk appetite has been set. For the Transition, Human Rights & Gender Inequality, and Drug & Insecticide Resistance risks, the organizational risk level is rated based on discussions between the risk owner and the Chief Risk Officer.

Risk appetite is set at an organizational level and is used to guide decision-making on risks at a grant and country portfolio level.

- Target risk: In addition to setting risk appetite for 8 grant-facing risks, the Board has also target risk level. For 3 risks the target level is lower than risk appetite. This was in recognition of the need for the Secretariat to continue to take risks in certain areas in order to deliver programmatic impact, whilst concurrently building in-country capacity over time to mitigate the risks. The Board did not set risk appetite at the same target level for all risks.
- Target risk timeframe: For each of the risks where a reduced target level has been set, the Board has also set a timeframe for reaching this target risk level. The timeframes reflect the fact that it will take time to reduce these risks given their inherent complexity.

9. **Risk Report and Chief Risk Officer's Annual Opinion:** is produced for the March committees and May Board. The Report and Annual Opinion include an update on key thematic risks, the status of the Global Fund's overall risk profile including risk levels relative to risk appetite, and the CRO's annual opinion. For the October committees and the November Board, the Secretariat produces a Risk Report. The Report follows a similar format to the Risk Report produced at the beginning of the year but does not include an Annual Opinion.