

37th Board Meeting

Risk Management Report and Annual Opinion

GF/B37/27

03-04 May 2017, Kigali, Rwanda

Board Discussion

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

I. Executive Summary:

1. Infectious diseases like HIV, tuberculosis, and malaria are often the most difficult to tackle in countries where health structures are weak or absent and where political and historical factors create high risk environments. This means that the Global Fund cannot deliver upon its mission to end the three diseases as epidemics without taking significant risks, often over long periods of time. Effective risk management is central towards achieving that longer-term success.
2. The Global Fund is working to integrate risk management within the fabric of its key business processes and partnerships. This requires building increasingly mature ‘outward-’ and ‘inward-looking’ processes and controls in order to respond proactively to key risks at all levels of operations, bearing in mind their often changing nature. By doing so, the Global Fund can successfully execute its ambitious new Strategy for 2017 to 2022.
3. Role of the Board. The Board’s guidance and assistance will be critical in steering the Secretariat to successfully manage these priorities in executing bold and transformative initiatives in support of the Strategy for 2017-2022. This will result in an increased pace of improvement in the Global Fund’s risk profile and, consequently, accelerated impact against the epidemics.
4. Annual Opinion. The Chief Risk Officer (CRO) and Secretariat have concluded that, during 2016, there has been clear progress in the maturity of Governance, Risk Management and Internal Controls within the Global Fund, moving meaningfully towards an ‘Embedded’ state. The Secretariat’s vision continues to focus on attaining an overall maturity level of ‘Actively managed and formalized’ over the medium term.
5. The CRO believes that if the momentum in operationalizing the results of the current initiatives is maintained, the development and operationalization of Risk Appetite and build-out of a robust internal control environment will enable the Global Fund to achieve an ‘Embedded’ state of maturity in 18 months. This will require appropriate leadership and governance from the Board. The CRO is also confident that the agenda set for 2017 on these matters is appropriate and achievable and that it will advance enterprise wide risk management at an optimal pace.
6. Report overview. In addition the CRO’s annual opinion, the report covers five key topics:
 - a. Key thematic enterprise-wide risks focusing on impact, including sustainability and transition; program quality and efficiency/impact through partnership; reputational risk; drug and insecticide resistance; and ethics.
 - b. Progress on initiatives to drive improvements in risk profile, including the Differentiation for Impact (D4I) and Accelerated Integration Management (AIM) projects, development and implementation of the Strategy Implementation Plan (SIP), Impact through Partnership, financial management capacity building under Co-Link, Supply Chain Transformation, Human Resources (HR) Transformation and other processes.
 - c. Progress in operationalizing the risk framework, including embedding risk management in core processes with clear roles and responsibilities; developing risk appetite; and improving governance.
 - d. Areas requiring increased and continued attention, including strengthening internal controls and monitoring; defining and expressing Risk Appetite; and embedding risk culture.

- e. Potential challenges in maintaining current momentum, including maintaining continued focus from the Secretariat; this year's leadership transition; and the likelihood of materialization of a significant reputational risk event.

II. Introduction:

7. Successfully defeating HIV/AIDS, tuberculosis and malaria in countries with weak governance systems, limited human resources and technical capacities, and fragile or absent healthcare systems represents a major development challenge. In meeting this challenge, the Global Fund is required to operate in difficult operating environments, assuming significant and often long-term financial, programmatic and reputational risks. The Global Fund's success depends upon its ability to promote a sustained, systematic approach to objective-based risk management that enables the timely delivery of quality services to beneficiaries, identifies and mitigates key risks to acceptable levels, provides assurance that controls and mitigating actions are operating as planned, and ultimately supports the organization in achieving its public health objectives.
8. Effective risk management will be essential in executing the Global Fund's ambitious new Strategy for 2017 to 2022. In order to meet its main strategic goals the organization is working to integrate risk management within the fabric of its key business processes and partnerships. This requires building increasingly mature 'outward-' and 'inward-looking' processes and controls in order to respond proactively to key risks at all levels of the Global Fund's operations, bearing in mind their often changing nature. In such an environment we must also be able to learn from successes and failures across the organization so as to maximize our ability to achieve impact against the epidemics over the next six years.

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

10. Drawing from the Organizational Risk Register (ORR) which serves to catalogue the key strategic and operational risks facing the organization as it implements its Strategy, these key risks are prioritized by the Global Fund's Senior Management and their respective Risk Owners. They are discussed regularly at the Enterprise Risk Committee (ERC) and monitored and updated on a quarterly basis relative to their impact on the Global Fund's mission (See Annex 1 for the ORR covering Q4 of 2016). Many of these risks center on issues critical to Global Fund's success and extend beyond the Secretariat itself. Their mitigation will require consistent measurement and monitoring, allocation of sufficient organizational resources, and close collaboration with partners. This report highlights five key risks from the ORR that are particularly relevant and timely as the Global Fund embarks on its new Strategy for 2017-2022.

1. Sustainability & Transition:

11. From a risk perspective, focusing on transition is appropriate, given its criticality to achieving the desired goal of program sustainability and epidemic control / elimination both during and after the Global Fund funding relationship with countries comes to an end. Approximately 78 components are currently classified as transition preparedness priorities, meaning that they are either currently transitioning, and/or represent upper middle income countries (all disease burden) or lower middle income countries (with low or moderate disease burden).¹ As the Global Fund decreases its financing for these and perhaps other portfolios, there is a risk that

¹ This classification scheme includes only those components that received a country allocation and does not include regional or multi-country grants.

interventions funded by the Global Fund will not continue, which may negatively affect some countries' ability to continue to scale service provision, treatment, and prevention activities (particularly for key and vulnerable populations) in-line with their strategic plans and global commitments. At the same time, these countries have greater economic capacity to pay and are expected to assume a greater share of the national disease response. While the overall investments by the Global Fund are targeted toward maximizing our impact on disease burden, in certain "transition contexts" this decrease in funding could result in reduced progress in the fight against the three diseases, or in some cases, a resurgence of the epidemics resulting in both a reversal of gains, and reputational risk for the Fund.

12. The Global Fund's approach towards addressing this risk (and thereby achieving the Strategic Objective) is based upon the central premise that planning for sustainability is something that should be taken into account by all countries regardless of where they rest on the development continuum, and that transition preparedness should accelerate as a country moves to middle income status and lower disease burdens. Success will require sustained collaboration with governments, civil society, technical and other partners.
13. Over the past six months, the Secretariat has taken a number of measures to mitigate this risk. These include, but are not limited to, developing the required frameworks and tools to help guide both the Secretariat and countries. These, include the Sustainability, Transition and Co-financing (STC) Policy (April 2016), a Transitions Projections document (October 2016), and an STC Guidance Note (December 2016). In addition, the Secretariat has worked to support the development and initial roll out of Transition Readiness Assessment tools (10 assessments, including some focused on a specific aspects of disease responses, completed and 17 planned for 2017; the Secretariat is also working with partners to leverage their own Transition and Sustainability assessments), a new tailored transition application process (which will be used by at least 17 disease components in this application cycle), and more tailored and specific co-financing requirements designed to strengthen sustainability and transition preparedness across the portfolio.
14. The Secretariat has also instituted an STC Coordination Lead based within Grant Management, supported by focal points across relevant specialist Department, and has embedded five STC specialists in the AELAC department and in order to drive effective execution of the STC policy.
15. Key areas of focus include, but are not limited to:
 - Transition and sustainability planning including the further development of Transition Readiness Assessments, strategies for transition, and/or Sustainability Plans;
 - Enhanced focus in grant design and Global Fund investments on thematic areas that could represent sustainability and transition gaps, including: contracting of non-state actors, strengthening of M&E and procurement systems; and increased co-financing of Global Fund supported programs (including those for key and vulnerable populations)
 - Identifying opportunities to increase financial resources for GF supported countries by exploring the potential for innovative finance across the portfolio, a continued focus on advocacy efforts, and systematic efforts to work with partners on sustainability and transition.
16. The Secretariat is also working to further mitigate emergent transition risks via the operationalization of the Board approved catalytic and special initiative funding. The special initiative funding will be used to strengthen transition and sustainability planning (including areas of programmatic and allocative efficiency). Multi-country catalytic funding will also support key-population programming in regions heavily affected by transition.

17. Experience shows that supporting countries to sustainably transition from Global Fund support requires significant time. Moreover, it should be recognized that the Global Fund's ability to influence sustainability and transition preparedness is inherently limited. Ultimately, countries will determine the extent to which their programs address core sustainability and transition challenges. As a result, despite the steps that the Global Fund is taking to mitigate this risk, it is possible that certain disease components will face significant challenges during the transition process, complicating the sustainability of certain programs currently financed by the Global Fund.

2. Program Quality and Efficiency/Impact through Partnership:

18. *Impact through Partnership*, is an initiative whose objective is to maximize impact through a country-centric partnership approach and thereby mitigate the risk of poor program quality and inefficient use of Global Fund resources. Impact through Partnership succeeds the year-long "Implementation through Partnership" Project that responded to several key risks discussed at the Board in 2016, including target underachievement and lagging absorption. Last year's project was successful in increasing shared accountability for specific, prioritized actions, improved processes in place for planning and coordinating technical support with countries and partners, and improved use of funds in key countries. Going forward, Impact through Partnership will leave 'project mode' and focus on embedding a strengthened focus on quality, impact and efficiency into the routine way of working across the portfolio, through a country-centric partnership approach.

Four pillars guide the new approach:

1. Focus efforts on measurable outcomes that drive impact
 2. Enhance data use for action and improvement
 3. Leverage technical and allocative efficiencies to maximize value for money
 4. Strengthen mutual accountability
19. While these pillars and approach are not new, the focus now is to leverage learnings from past successes and mainstream them in the Global Fund's core business. This is being done through:
 1. Building enabling processes:
 - Business processes for getting work done fit for purpose and aligned with impact;
 - Country team competencies, incentives and accountability mechanisms aligned with impact;
 - Tools, frameworks and partner support available in support of impact of grant investments
 2. Aligning a cascade of metrics:
 - Key Performance Indicators (KPIs) at a strategic level;
 - Indicators in grant performance frameworks aligned with outcome measures covered in KPIs;
 - Individual and team performance indicators and objectives aligned with performance frameworks
 3. Aligning risk and impact:
 - Enterprise risk review addresses cross-cutting risks to impact identified across the portfolio;
 - Country portfolio risk review starts with impact at country level;
 - Strengthening existing in-country review and dialogue, with focus on critical path to impact

20. As it is embedded across the Secretariat, ITP will expressly link risks to achieving impact along the results chain. A roll-out plan for the initiative, including timelines and deliverables, has recently been developed.

3. Reputational Risk:

21. Reputational risk is inherently high for an organization like the Global Fund, where securing and maintaining the confidence of our stakeholders is key to success. This risk is normally elevated for the Global Fund for a number of reasons including the challenging environments within which we operate, highly visible strategic objectives such as Sustainability and Transition, Human Rights and Gender, and our core principles of transparency. Setbacks in these areas expose the Global Fund to increased reputational risks, the consequences of which can range from attention being distracted from strategic priorities to the survival of the organization.

22. Reputational risk tends to be event driven and the Global Fund has historically managed it successfully via a number of mitigation measures including a robust framework of policies, procedures and controls, an effective network of social media support among partners, proactive relationship-building with the traditional media, and agility in answering external questions about policies and control frameworks.

23. Recently, changes in the global political landscape have elevated reputational risk for the Global Fund, and increased the potential impact of negative publicity. Sharper media attention on aid spending has increased reputational risk overall. Since the drivers of the increase are not event driven, this risk is likely to be sustained at this elevated level for an extended period of time.

24. In addition to our traditional mitigation measures, the Global Fund is focusing its attention on heightening awareness of this risk, more pro-actively managing communications and developing new story lines on why aid is effective, expanding partnerships to underscore both the progress achieved in global health and the need to do more. Initiatives are also being undertaken to strengthen our approach to managing ethics related risks, including *Integrity Due Diligence* procedures to prevent (especially fiduciary) risks from materializing. This is important in that many of the Global Fund's reputational exposures have arisen from fiduciary rather than programmatic issues. Other efforts underway to improve our management of ethics risks are discussed under point 5 of this section, below.

25. Reputational risk will continue to materialize at various levels over time and will need to be managed accordingly.

4. Drug & Insecticide Resistance:

26. Global Fund investments have contributed to measurable gains against the diseases, including a 48% global decline in malaria deaths between 2000 and 2015 (6.4 million deaths averted) and onward support for the Global Technical Strategy for Malaria that aims to reduce malaria mortality and incidence by 90% and eliminate malaria in at least 35 countries by 2030. Despite this success, the risk of drug and insecticide resistance continues to remain high, putting gains at risk.

27. As a financing institution, the Global Fund has a limited ability to directly mitigate the risk of drug and insecticide resistance, relying on countries and technical partners to lead in this area. For its part, the Secretariat is focused on a number of areas:

- Strengthening supply chains to ensure efficient delivery of quality health products;
- Leveraging local organizations to reach mobile and remote populations;

- Supporting the improvement of disease surveillance to enhance countries' ability to quickly respond to outbreaks;
 - Supporting therapeutic efficacy studies (with Global Fund resources and/or other sources of funding) and also supporting countries in implementing changes in drug policy when necessary;
 - Providing catalytic funding for MDR-TB interventions;
 - Advocating for the prohibition of oral artemisinin monotherapies and removal substandard and counterfeit drugs from the market;
 - Improving patient adherence to antimalarial treatment through behavior change communication, fixed dose combination therapies and support programs; and
 - Continuing to support malaria programs in the Greater Mekong sub-region, working towards malaria elimination.
28. The effectiveness of insecticide-based vector control is threatened by the increasing development of resistance to insecticides used in long-lasting insecticide treated nets (LLINs) and indoor residual spraying (IRS). Insecticide resistance, especially to pyrethroids, is now widespread. In response, the Global Fund has enhanced its focus on optimized vector control, surveillance systems and local capacity building, including support (together with WHO) for development of national insecticide resistance monitoring and management plans. The organization has allocated US\$ 33 million through Catalytic Funding for the market entry of new generation LLINs as a means to mitigate insecticide resistance. This investment will overcome the two main economic barriers faced by new WHO-approved LLINs: their additional higher cost and sparse cost-effectiveness data. In response, procurers will need to support data generation during early roll-out and shape the vector control market to allow broad(er) adoption of new tools and, in turn, lower prices.
29. With respect to tuberculosis, the Global Fund continued its support for the implementation of new WHO MDR-TB guidelines including the introduction of new second-line drugs and short treatment regimens. This focus will be supported by two additional initiatives:
- An updated Green Light Committee MoU designed to focus on implementer capacity in fighting MDR-TB in high-burden countries; and
 - Support for the scale-up of new diagnostics for rapid detection of TB/MDR-TB cases, as well as new MDR-TB drugs

5. Ethics:

30. The risk of ethical misconduct is inherently high given the potential conflicts of interest in our complex governance mechanisms; the challenging operating environments we operate in, often with elevated corruption levels; and the multi-layered implementation structure of grants of involving principal and sub-recipients. This risk has been managed through a series of measures including Conflict of Interest Policies, Codes of Conduct, Integrity Due Diligence procedures, the "Speaking Out" campaign (including whistle blowing policy) and Investigations & Sanctions.
31. Led by the recently established Ethics Office, a number of initiatives are currently underway to further enhance our approach to managing this risk. These include development of an overarching Anti-Corruption Policy and documenting a comprehensive Anti-Corruption Framework for the organization. The former will create consistent and enforceable definitions of prohibited practices, set prioritization, and clarify responsibilities for anticorruption. The latter will provide the baseline for ongoing corruption risk assessment and identify opportunities for further strengthening anti-corruption measures across the Global Fund.
32. Addressing external risks, a new Code of Conduct for CCMs, along with a performance-based enforcement mechanism, is being developed for approval by the Ethics & Governance Committee

(EGC) and is expected to be rolled out in 2017. The Secretariat is also engaged in the roll out of an Integrity Due Diligence (IDD) Project, with an IDD policy and framework for third-parties to be developed by the end of the year.

33. To mitigate internal risks, the Ethics Office is organizing ethical conduct training for staff and engagement with managers on weaknesses revealed through the 2016 Staff Engagement Survey. By Q1 2018, the Ethics Office plans to enhance our systems for personal certifications, disclosures and compliance monitoring.

IV. Progress on Initiatives to Drive Improvements in the Risk Profile:

34. Over the course of 2016, the **Prioritized Action Plan (PAP)** tracked significant changes in the Global Fund's risk profile. The PAP seeks to consolidate the Global Fund's key initiatives, many of which serve as the major mitigating actions to risks identified within the Organizational Risk Register. It defines the inter-connectedness among many cross-cutting Secretariat-wide initiatives which serve to enhance and embed risk management and acts as a roadmap for Board oversight. Since the last Board Meeting in November 2016, developments in the following key areas point to measurable improvements across the organization:
 1. Successful completion of the **Differentiation for Impact (D4I) Project**, resulting in a reallocation of internal resources and alignment of processes with risk and impact.
 2. Progress of the **Accelerated Integration Management (AIM) Project** with three staged releases successfully completed. When complete, AIM will significantly enhance the availability of strategic data and facilitate more efficient internal processes including risk mitigation and control design. While there have been some delays with the final completion of Phase I, now expected in Q3/Q4, AIM continues to receive appropriate senior management attention, as well as additional resources necessary to ensure its successful completion.
 3. Development and implementation of a robust **Strategy Implementation Plan** for 2017-2022 which links Strategic Objectives to deliverables. A separate but linked work planning exercise led by HR concluded with the development and subsequent MEC approval of Division-level work plans. A plan for communication and change management around strategy implementation was also developed.
 4. Successful completion of the **Implementation through Partnership (ITP) Initiative**, creating a platform to engage with partners in addressing challenges to impact. The initiative is now incorporated into the broader **Impact through Partnership** that is being mainstreamed into the Global Fund's core business. As it is embedded across the Secretariat, ITP will expressly link risks to achieving impact along the results chain. A roll-out plan for the initiative, including timelines and deliverables, has recently been developed.
 5. Progress in strengthening implementers' financial management capacity through the **Co-Link Project**, with work underway in nine countries.
 6. The launch and major progress on the **Supply Chain Transformation Initiative**. Diagnostics in 12 to 20 select countries are expected to be completed in 2017. Strengthening of in-country supply chains will follow and be executed with a select group of partners.
 7. Numerous initiatives to improve the efficiency of human resources processes continued as part of the **Human Resources (HR) Transformation Initiative**. Initiatives to improve

the efficiency of HR processes also continued, including roll-out of awareness raising and trainings on ethics and integrity as part of a new organizational culture project.

8. Improvements to numerous other processes were made, including **tailored access to funding** and **enhanced engagement with CCMs** to improve their performance.

V. Progress in Operationalizing the Risk Framework:

35. The Global Fund recognizes that a preventive and focused risk management approach is critical to optimal achievement of the Global Fund's mission of saving lives. Sound risk management entails a focus on the highest risk portfolios where disease burden and hence the risk against achieving impact is highest. Over the past 12 to 18 months, the Secretariat has been working to develop, operationalize and embed improved risk and assurance frameworks, processes and tools across the organization, develop more robust and strategic controls and mitigations, and both enhance and create more clarity around the roles and responsibilities of the first and second lines of defense. The OIG's annual report also acknowledges that the "Global Fund's risk management landscape is improving considerably... [and that] distinct progress is also being made across key areas of the risk architecture."
36. The Secretariat's goal is to focus on mitigating key risks/issues, especially in mission-critical countries and portfolios so that the Global Fund can successfully execute its Strategy. Several key areas where material progress has been made are discussed below:

1. Embedding Risk Management in Core Processes with Clear Roles and Responsibilities:

37. The Global Fund's ability to address key risks to the organization and its mission can be characterized in terms of progress in five areas:
 - A **Risk Engagement model** for grant management was agreed upon, documented and rolled out in a phased manner across High Impact and Core Countries, clarifying the roles and responsibilities of first and second line of defense, including the Risk Department, with appropriate controls for ongoing oversight. The **Operational Risk Committee** was re-launched, driving greater focus on prioritized countries, key risks and mitigations linked to objectives and acceptance of risk. An **Integrated Risk Tool** has been designed to facilitate improved and streamlined risk identification/planning of mitigations and follow up. This tool, which will be rolled out per 2017 AIM timelines will be important to systematically embed improved, on-going risk management within the organization.
 - **Risk & Assurance planning** and execution continued following completion of the pilot project, with expected coverage of all High Impact & Risk portfolios in 2017. Assurance tools and options are being expanded, especially for Supply Chain and Data Quality risks in prioritized countries. These plans are systematically discussed with implementers and in-country partners to drive common understanding and agreement on risks and assurances and leverage their on-the-ground presence for better monitoring and assurance. Continued efforts were also made to improve financial reporting through grant-level Financial Risk and Assurance plans throughout the portfolio. While progress was made during the year to integrate these plans into comprehensive assurance plans for High Impact and Core countries, more needs to be done.
 - The Global Fund's ongoing focus on strengthening fiscal controls has resulted in a decrease in large cases of fraud. Last year's Financial Control Environment Review (**FCER**) resulted in a

number of further actions that are currently being executed and will result in better fraud prevention, stronger PR controls and improved and aligned financial assurance from various providers, including LFAs and external auditors. Moreover, the Recoveries process has also matured, as evidenced by significantly reduced net recoverables and steps taken to facilitate faster resolutions in the future.

- With active senior-management engagement, a matured **Enterprise Risk Committee** process is driving improvement in managing key organizational risks with *greater focus on mitigating actions and ensuring linkages with strategic goals*.
- As Operational Policy Notes (OPNs) are being renewed, there is greater focus on clearly defining **roles and responsibilities** across the Organization. In addition, the Secretariat is nearing completion of **an Accountability Framework and Business Process Owner Matrix** with clear roles, responsibilities and accountabilities. The Framework places appropriate focus on Monitoring and Compliance and will help advance progress in strengthening the Global Fund's internal control environment.

2. Defining and Operationalizing Risk Appetite and Tolerances:

38. A clear and well defined Risk Appetite that is embedded in the core decision making processes is critical to advancing the maturity of the organization. When well executed, this would result in:
- Uniform understanding by the various stakeholders (including Board/Committees, OIG and the Secretariat) of risks that are being accepted;
 - Consistent and transparent risk-reward trade-off decisions across the organization;
 - Well-informed allocation of resources and
 - Clearer linkages between organizational objectives, key risks and mitigating actions
39. As an example, the Global Fund has an explicit and well defined Risk Appetite statement on 'Fraud' (zero tolerance for fraud) that is actionable. This zero tolerance then drives allocation of Global Fund resources to support prevention and detection (e.g., Additional Safeguards Policy, Fiscal Agents), to focus on recoveries when fraud is detected and to guide the work of the OIG.
40. Over the past few months, the Global Fund has laid the foundational elements of developing and embedding the decision making processes around Risk Appetite. The discussions at the Operational Risk Committee regularly center around prioritizing risks, agreeing with mitigating actions and accepting residual risk or asking for more robust mitigation if residual risk is unacceptable, all of which are intrinsic aspects of risk appetite. Building upon this experience, the Secretariat is now advancing this work and is pursuing an approach that leverages existing and proposed tools (QUART/CAT and the new Integrated Risk Tool) and processes (Operational Risk Committee). The proposed approach will also enhance the Global Fund's ability to measure and monitor key organizational risk levels, with the corollary benefit of improving aggregation and reporting. This approach will be discussed at the upcoming Audit and Finance Committee meeting.

3. Improving Governance:

41. Improved governance will enable the Global Fund to pursue its Strategic Objectives while proactively managing key organizational risks. The Board adopted an improved governance structure and new committees following a competency based review. Governance related issues are now expected to receive greater attention with the formation of the EGC. The Board completed induction of new Committee members and leadership, mainstreaming performance assessments and improvement plans into the work of the committees, based on defined strategic and operational KPIs and key risk indicators. A new Board Leadership selection process was initiated

based on the recommendations of the EGC. While there have been several improvements, some issues raised earlier, including the composition of the Board, remain. Taken together, improvements in governance will result in more informed decision-making in support of the 2017-2022 Strategy.

VI. Areas Requiring Increased and Continued Attention:

42. As the Global Fund works to strengthen risk management across the organization, we need to remain cognizant of where we need to do more and/or will require sustained attention, particularly in view of the fact that improvements in certain areas can be expected to take time. These include:

- **Strengthening internal controls and monitoring:** While key business processes have been identified and some of these have been assessed for robustness against the COSO framework, this work needs to be completed. In addition, while some of the recent work around the Accountability Framework, Business Process Owner Matrix and Operational Policy Note improvements has strengthened the internal control architecture, a culture in which a Process Owner is held responsible for the control environment of, and compliance with, a process still needs to be embedded. In addition, a second line oversight function to test the controls on a periodic basis is still under development;
- **Defining and expressing Risk Appetite:** Work on defining and operationalizing Risk Appetite in a manner that becomes an integral part of the Fund's core processes needs to be completed; and
- **Embedding Risk Culture:** While there are early signs of the development of a healthy risk culture, sustained effort will be required before it becomes a part of the fabric of the organization. This is being facilitated by the right "tone from the top" and increasing recognition across the Secretariat of the importance of risk management.

43. Going forward, each of these areas will be subject to risk management focus.

VII. Potential Challenges in Maintaining Current Momentum:

44. **Continued Focus from the Secretariat:** Over the past year, the Secretariat has built significant momentum in our efforts to strengthen systems within countries and improve and embed risk management within the organization. In the immediate aftermath of the allocation decisions and ongoing pressures of grant making under the new funding cycle, this level of commitment will need to be sustained by both management and staff and enforced consistently in order to operationalize planned initiatives. As always, allocating appropriate resources to select actions without compromising on the delivery of our core mission will be important.

45. **Leadership Transition:** As the Global Fund is set to undergo a transition of leadership of both Board and Secretariat over the coming quarters, there exists the risk of potentially changing priorities and loss of momentum of key initiatives to address risk in extreme to high-risk environments with weak health systems. Execution of material changes such as enhancing in-country supply chains will take time and the journey will be iterative. The support of the Board for the continued enhancement of risk management will be critical in further consolidating the commitment required to maintain the requisite momentum.

46. **Materialization of a Significant Reputational Risk Event:** As mentioned earlier, changes in the broader political landscape and media attention on aid spending has increased the likelihood of reputational risk materializing. This will have to be managed without letting it change the priorities or lead to a loss in momentum.

VIII. Chief Risk Officer's Annual Opinion:

47. The OIG issues an annual opinion on the state of Governance, Risk Management and Internal Control processes at the Global Fund, and whether they are likely to ensure that the organization's operational and strategic objectives will be met. OIG's opinion is based on a rating scale with six choices along a continuum: 1) Optimized; 2) Actively managed and formalized; 3) Embedded; 4) Initiated; 5) Ad-hoc; and 6) Non-existent. The definition of the ratings is provided as Annex 2.
48. Last year, it was the Secretariat and CRO's opinion that the Global Fund's maturity is between 'Initiated' and 'Embedded'. Also, in the CRO's opinion there was a need for the Global Fund to materially increase its efforts to achieve a robust level of enterprise-wide risk management.
49. As in the previous year, the Risk Department facilitated and led a discussion with the senior leadership to formulate a Secretariat view on the present state of governance, risk management and internal controls, and on what it should be, recognizing that the highest level of optimization does not necessarily need to be achieved in all respects. In developing this opinion, the Secretariat considered, among other things: a) the results of a Survey with senior management; b) progress during the year on key initiatives, including those under PAP; c) progress on thematic areas highlighted in OIG's opinion from previous year; and d) progress on rolling out the Risk Management (and Assurance) framework, as well as improvements in Governance.
50. The Secretariat concluded that, during 2016, there has been clear progress in the maturity of Governance, Risk Management and Internal Controls within the Global Fund, moving meaningfully towards an 'Embedded' state. The Secretariat's vision continues to be to attain an overall maturity level of 'Actively managed and formalized' over the medium term. Given considerations such as value for money and contextual factors such as the external environment, senior leadership agreed that aiming to achieve an overall 'Optimized' state will not be appropriate. That said, it remains likely that some of the processes in areas such as financial management may well achieve a level between 'Formalized' and 'Optimized'.
51. The CRO concurs with the Secretariat's view, basing his opinion on the progress in a number of initiatives/areas described in this report above, as well as on the: i) quality of assessments, discussions and decisions at the Grant Approval Committee and the Operational Risk Committee; (ii) Risk Department's direct oversight work based on the revised engagement model, including in-country risk assessments; iii) quality and results of assurance plans that have been rolled out; iv) COSO reviews of key corporate processes; (v) quality of presentations and senior management discussions and decisions on key organizational risks; and vi) observations around early signs of development of a healthy risk culture.
52. While there has been some progress on improving the internal control environment as noted in Section VI of this report, the need remains to materially increase efforts. The CRO believes that if the momentum in operationalizing the results of the current initiatives is maintained, and with appropriate leadership and governance from the Board, the development and operationalization of Risk Appetite and build-out of a robust internal control environment will enable the Global Fund to achieve an 'Embedded' state of maturity in 18 months. The CRO is also confident that the agenda set for 2017 on these matters is appropriate and achievable and that it will advance enterprise wide risk management at an optimal pace.

IX. Conclusion:

53. With the continued operationalization of the Risk Management Framework with clearer roles and responsibilities, successful completion of other related actions such as D4I, progress on AIM, and

continued focus on the OIG Agreed Management Actions, there has been significant progress in moving Governance, Risk Management and Internal Control towards an 'Embedded' state. In addition, the organization's key risks are generally receiving an appropriate level of management attention and focus.

54. More importantly, if the Global Fund is successfully able to execute some of the bolder and more transformative actions already underway, including in-country supply chain strengthening and embedding program quality and efficiency within the Global Fund's core business processes, the pace of improvement in the Global Fund's risk profile and, therefore, impact should accelerate.

Annex 1: Organizational Risk Register: Q4 2016

Annex 2: Organizational Maturity Scale

Rating	Definition
Optimized	Internal controls, governance and risk management processes are optimized to ensure that the organization's operational and strategic objectives are met.
Actively managed and formalized	Internal controls, governance and risk management processes are actively managed and overseen with clear lines of accountability. Decision making is based on reliable data sets with sufficient due diligence, leading to assurance mechanisms that are robust and fit for purpose to enable the organization's operational and strategic objectives to be met.
Embedded	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 will be fully met.
Initiated	Internal controls, governance and risk management processes have been defined through institutional policies approved by executive management and/or the Board. However, they are not applied consistently and are not fully embedded in everyday management practice. They are unlikely to ensure that the organization's operational and strategic objectives will be fully met.
Ad hoc	Internal controls, governance and risk management processes are inchoate or ad hoc. They have not been fully defined and/or not approved by executive management or the Board. Processes are insufficient to ensure that the organization's operational or strategic objectives will be met.
Nonexistent	Internal controls, governance and risk management processes are absent.

Risk Type	#	Risk	Risk Owner	Existing Controls and Mitigations in Place	Q4 2016			Current Status/Progress on Additional Mitigating Actions Underway or Planned	Additional Mitigating Actions Needed	Target Risk	IRT Category
					Residual Risk	Current Direction of Travel	Change since last quarter				
Strategic Risks	1	Impact/Mission Risk Low impact in high impact and core portfolios could negatively affect the Global Fund's mission	GMD	(1) Structured risk management approach in place for high impact and high risk countries. (2) Large high disease burden countries: Increased focus on implementation and oversight at sub-national levels; improved alignment with and greater reliance on partners for strategic program development, data collection and monitoring and evaluation; improved ongoing grant management controls. These countries to receive greater management time and scrutiny. (3) Flexible reprogramming allowing optimization of investments and of implementation arrangements during grant implementation (OPN).	High	→	No change	On track/Ongoing Supply Chain project further advanced with new Department created and additional resources allocated. New projects launched in Malawi and Ghana and planning to expand to additional countries underway. Systematic and structured risk reviews (mission risk and fiduciary) of the high impact and risk countries The new allocation supports the 2017-2022 Strategy. A further US\$ 800 million in Catalytic Investments approved by the Board in Q4 2016 to address strategic priorities, above allocation requests, and multi-country interventions. Planned Impact Through Partnership (ITP) and Supply Chain Management initiatives prioritize High Impact and Risk portfolios (Q1 & Q2 2017). Risk management and compliance monitoring strengthened with additional focus on supply chain and program quality risks (Q1 & Q2 2017).		Medium	Programmatic & M&E Risks
	2	Sustainability and Transition Risk Countries unable to sustain impact without further Global Fund support due to political, policy, financial, health systems or cultural factors may lead to reversal of gains	Policy, ER, SIID, GMD	(1) Sustainability, Transition and Co-Financing project to accelerate the implementation of the STC Policy. (2) STC Guidance Note issued. (3) Transition readiness assessment (TRA) templates completed and being rolled out for use by 17 disease components scheduled to in the 2017-2019 allocation cycle. (4) Counterpart financing incentive amounts set for entire GF portfolio for 2017-2019 allocation period. (5) Compliance monitoring of counterpart funding requirements for new grants in line with new Co-Financing OPN. (6) Allocation letters edited to incorporate STC messaging prior to issuance (7) A2F OPN updated to incorporate greater STC focus through new transition focused application process (Tailored Transition Review) (8) Coordination with World Bank, USG, GAVI and other partners.	High	→	No change	On track Consultations with GMD Heads on monitoring of counterpart financing as well as policy forums on the operationalization of the STC policy AELAC Portfolio Mapping to identify transition priorities within each portfolio near completion. Transition Readiness Assessment completed for Jamaica and will be launched in Cuba, Morocco, and the Philippines; new Transition Readiness Tool to be piloted in 3 LAC countries in spring 2017. Catalytic Funding to address STC issues approved by the Board. Materials developed to standardize external communications on transition issues. Training Course on Sustainability and Transition being developed for draft release in Q1 2017. Planned Transition readiness assessments for 8 countries in EECA, (Q1-2 2017). Multi-donor/partner collaboration for joint Health Financing Strategies and engagement to increase domestic funding for health (2017). Strengthening and accelerating work on innovative finance, including WB Finance Hub (2017). Support for civil society and governments to ensure that services related to community, rights, and gender continue to be provided in post transition settings (2017).	(1) Harnessing Special Initiative Catalytic Funding to maximize and accelerate sustainability and transition preparedness planning. (2) Strengthening the work of STC Specialists in the Secretariat and STC partnerships, including with both established and new partners.	Medium	Programmatic & M&E Risks
	3	Resilient and Sustainable Systems for Health (RSSH) Weak public health and community health systems and inadequate RSSH investments negatively affect impact of the disease programs	SIID	(1) Integration of HSS activities into SDG agenda for wider health impact with GF investments and improved coordination with strategic partners at global level. (2) Increased focus on HSS/CSS data collection and analysis to cover the 40% of the Global Fund portfolio dedicated to HSS against the three diseases. (3) NFM grants feature increased investments in DHIS, supply chain, financial management and human resources capacity strengthening. (4) Implementation of TERG recommendations are focused on improving coordination with partners and TA in support of RSSH.	High	→	No change	On track RSSH included in new strategy with 7 focus areas for GF catalytic funding approved. Two workshops held on developing strategic implementation plan for SO2. Key drivers for the SO and operational KPIs have been agreed. Completed partner consultation on Human Resources for Health (HRH) and the information note on investments with HRH. Technical briefing note for SRMNCNAH published on GF website; information notes for RSSH and new strategy implementation plan revised Studies on effective community monitoring/feedback mechanisms and funding completed. Catalytic Funding amounts for RSSH initiatives approved Planned Roll-out of RSSH matching funding (HRH/service delivery and data), and development of RSSH related special initiatives (includes HMIS, PSM, RMNCH and HRH/SD) Renew MoUs with UNICEF on integrated RMNCH (renewed agreement anticipated in Q2-Q3 2017)	Improved advocacy, technical guidance and funding processes for community responses and monitoring.	Medium	Programmatic & M&E Risks
	4	Human Rights and Gender Inequality Human rights and gender-related barriers limit access to quality health services for key and vulnerable populations	SIID	(1) CRG special initiatives for 2014-2016 are concluding, paving the way for catalytic funding for CRG & SAGE related initiatives in 2017-2020. (2) Implementation of the Removing Legal Barriers module under NFM, human rights capacity building at the Secretariat level, closer collaboration with key technical partners and active engagement of CRG advisors in select countries have led to increased GF grant investments in programs to address human rights barriers. (3) New HR minimum standards included in grant agreements and the Human Rights Complaints Mechanism was launched. (4) Regional Civil Society platforms available for focused TA. (5) Human Rights Intensive Support Project for 20 countries launched; 20 countries have been identified through internal and external consultations; Research consortia selected for the in-depth baseline studies in those countries; HR Matching Fund are available for those countries.	High	→	No change	On track: Implementation of the SAGE (Strategic Actions for Gender Equality) Project. External co-financing from BMGF (approx. \$1.7m) earmarked for Human Rights Baseline studies. CRG trainings for country teams held as part of D4I training and ongoing capacity development. Consultation with key stakeholders and partners help to define GF catalytic role in scaling-up human rights investments, including gender equality. Working groups established to develop disease-specific guidance for applicants. Catalytic Funding amounts for HRG initiatives approved. Twenty intensive support countries selected to achieve greater uptake of programs to address human rights-related barriers; research consortia selected for the baseline studies. Human Rights Technical Briefing Notes on TB and malaria to be finalized in January 2017; Two full-time gender consultants to be embedded in GMD for 2017/18. Under SAGE 13 countries will have focused scale-up of programs for Adolescent Girls and Young Women (AGYW) (2017). Operationalization of guidelines and training modules to embed human rights and gender initiatives into national programs (2017).	(1) Independent review to explore the reasons for low number of human rights complaints received by the OIG. (2) Adoption of UNAIDS 7 Key Programs to reduce stigma and discrimination in HIV programs; Partner collaboration to define TB and malaria related barriers and key programs.	Medium	Programmatic & M&E Risks
	5	Challenging Operating Environments (COEs) No or limited health impact in COEs accounting for a third of the global disease burden for HIV, TB and malaria, and a third of Global Fund investments	Policy, GMD	(1) Use of flexible reprogramming and/or emergency fund for acute-crisis countries (e.g., Ukraine, Nepal, Sierra Leone). (2) Other new innovative and flexible approaches have been promoted and approved by Senior Management and are being implemented or pursued. (3) COE Policy approved by Board in April 2016. (4) Emergency Fund approved (November 2016). (5) COE OPN approved by EGMC in January 2017	High	→	No change	On track Middle East Regional Initiative targeting refugees ongoing. Increased/adequate Country Team resources assigned as part of Differentiation for Impact implemented for COE countries. COE support team created and COE Working Group established to provide strategic direction on COEs, provide support to COE CTs and contribute to the implementation of the COE Policy. Planned Operationalization of the COE Policy; targeted approach to reach Key Affected Populations and systematize Community Based Monitoring (2017). Review of Emergency Fund, including pre-qualified PRs (Q2 2017). ORC to review COE CT proposed flexibilities and portfolio analysis (Q2 2017). Tracking of flexibilities requested by CTs (2017).	(1) Determining essential services or package of services for emergencies, as well as chronic COEs with poor systems. (2) Determining triggers for contingency plans prepared by CTs, in preparation of emergencies. (3) Establishing and/or strengthening partnerships with partners active in COE.	Medium	Programmatic & M&E Risks
	6	Drug and Insecticide Resistance Threat of increasing drug and insecticide resistance in TB, Malaria and HIV leading to increased morbidity and mortality	SIID, GMD	(1) Global Fund QA policy for finished pharmaceutical products. (2) WHO normative guidance in place; Global Fund support for implementation of new WHO guidelines for MDR-TB (3) Increased funding for MDR-TB under GF grants with particular focus on highest burden countries 10/20/2016; implementation of updated MOU for GLC support in high MDR burden countries. (4) Ongoing focus on optimization of vector control interventions and associated HSS investments. (5) Regional Artemisinin Resistance (RAI) program in the Greater Mekong Sub-region. (6) GF support for the WHO Innovation to Impact (I2I) Initiative in vector control to address insecticide resistance.	High	↗	No change	Ongoing TB: GF supporting implementation of new WHO guidelines for MDR-TB including guidance to countries for introduction of new drugs and shorter regimens. Implementation of updated MOU on GLC covering updated MDR-TB high burden countries. Malaria: ongoing focus on optimization of vector control interventions and targeted HSS investment in surveillance system and local capacity building. GF support for scale up diagnostics & rapid testing and detection of malaria and TB/MDR-TB case finding. Planned Undertake five in-country deep-dives designed to validate country supply chain segmentation (2017). Undertake supply chain diagnostics in twenty prioritized countries (2017). Develop new Impact through Partnership effort (including program quality and efficiency) to focus on increased impact (Q1-Q2 2017). US\$ 33 million in catalytic funding allocated for a strategic initiative to support market entry of new generation LLINs (2017).	(1) Leveraging grant funds and catalytic funding to focus on MDR TB and increase access to quality health services for high risk populations. (2) Increased investments for national & regional surveillance systems and routine monitoring of service quality.	Medium	Programmatic & M&E Risks
	7	Strategic Data Quality and Availability Poor quality and/or unavailability of strategic results and impact data due to poor in-country data systems and/or weak Global Fund internal data systems & management may negatively affect strategy development, target setting, and impact	SIID	(1) Global Fund grant Performance Frameworks capture country level health outcomes. (2) Investments for strengthening of in-country M&E systems approved under NFM grants. (3) Ongoing Special Initiative support for strengthening country data systems.	High	→	No change	On track OPN finalized for improved Data and Program Quality. It is currently operationalized through LFA and specialized service providers, in partnership with WHO and Health Data Collaborative (HDC). Catalytic Funding reserved for Special Initiative for strengthening country data systems (roadmap and priority actions being implemented). Design for integration of strategic data in AIM completed and second release covers 143+ grants across 35 countries. CTs will be able to review progress updates for ca. 450 grants in GOS in 2017. New Program and Data Quality for impact approach being implemented. Clear deliverables have been identified and finalized in the Strategy Implementation Plan. Planned AIM to incorporate new internal program results processing module (Q1 2017); Subsequent AIM roll-out to embed new strategic data reflecting the KPIs from the 2017-22 Strategy (Q2/Q3 2017). Data Use for Action and Program Improvement Strategy to be finalized (Q2 2017). 20 Health Facility Assessments/Data Quality Reviews to be completed and results used to improve program design and management (Q4 2017). Standard analytical frameworks, tools and processes for programmatic assurance at national and sub-national levels to be revised and adjusted (Q4 2017)	Aligning partners around collection of impact data through mainstreamed ITP approach.	Medium	Programmatic & M&E Risks
	8	Partnerships Missing or un-sustained partnerships at the global, country and community levels can prevent the Global Fund from achieving its strategic goals	MEC, All	(1) Country Teams engage with partners on a country-by-country basis to address Strategic and Operational risks. (2) Engagement of strategic partners at global level, several with formal partnership agreements. (3) Performance based contract in place with WHO for targeted technical support under NFM with mid-term review currently being conducted.	Medium	→	No change	On track/Ongoing Impact through Partnership (ITP) being mainstreamed and refocused on alignment of partners for impact. Ongoing coordination with partners as part of new strategic target setting for RSSH, CRG and SAGE. PQE refocused to include partner contribution to impact. Planned Leveraging ITP, CRG, SAGE and catalytic funding support in support of GF objectives under the new Strategy (2017).	Aligning national and international partners around sustainability, impact, HSS, COE and HRG initiatives.	Medium	Governance, Oversight & Management Risks
	9	Value for Money/Cost-Effectiveness 4 factors could lead to overspending or waste of funds: (a) Poor cost-effectiveness of strategic investment decisions; (b) Low procurement costs; (c) Weak drug management; and (d) Inefficient Global Fund processes and use of resources causing high transaction costs	Policy, SIID, FISA	(1) Major focus on Country Dialogue, TRP and GAC review processes through use of optimization models and ongoing grant monitoring and flexible reprogramming to optimize investments as new data/evidence comes up. (2) Expanded use of PPM across grants (ca. 60 countries, approx. US \$1 billion p.a.). (3) Availability of national forecasting committee in all HI countries and systematic annual forecasting review. (4) Quarterly monitoring of OPEX expenditures against approved budget. (5) Zero-Based Budgeting (ZBB) project streamlined operating expenses to support implementation of the new Strategy. (6) Updated grant management OPNs released covering new differentiated grant management approach and requirements, and optimized assurance activities.	Medium	→	No change	Ongoing ITP being mainstreamed and refocused on alignment of partners for impact. Strengthening HPM management and assurance focus areas include drug supply chains, stock outs and expiries. Planned BMGF-funded Global Health Cost Consortium (GHCC) to develop joint methodology for calculation of unit costs and efficiency data for investment-related decision-making (2017). Onward rollout of Risk and Assurance planning and execution for High Impact and Risk Countries (2017). Implementation of streamlined budget decisions resulting from ZBB (2017). Leveraging AIM to increase operational efficiency and reduce transaction costs (2017).	Leveraging ITP to collaborate with key partners.	Low	Financial & Fiduciary Risks

	10	New Strategy Implementation and Allocation Model faces 2 main risks: (a) Global Fund unable to deliver on new strategy, achieve new strategic goals and meet stakeholder expectations, in particular in areas of expanded mandate (RSSH, Human Rights and Gender) and greater focus (COEs, Sustainability, ending 3 diseases, KPs); and (b) New allocation model not achieving new strategic goals (including middle income countries not addressing differentiated needs of MICs)	Policy, SIID	(1) New Strategy for 2017-22 approved by Board. (2) New Allocation Methodology approved by Board in April 2016. (3) Decisions on reallocation of resources made under D41 and ZBB aimed to support new strategy implementation. (4) Finalization of People Strategy, internal structure and resource allocation supporting new Strategy implementation (Q3-Q4 2016). (5) Final Board approval of allocations in November 2016. (6) Development and issuance of allocation letters to countries (Q4 2016)	Medium	→	Change in risk focus (from strategy development to implementation risk)	On track Development of a Strategy Implementation Plan and its associated Key Performance Indicators (KPIs), with Strategy Objectives and sub-objectives reflected in Divisional work plans. Planned Execution of the 2017-2022 Strategy Implementation Plan (2017). Development of requisite supporting policies (2017).		Low	Governance, Oversight & Management Risks
Financial Risks	11	Future Funding/Replenishment (2017-19) Inability to ensure sufficient funding as per target from public and private donors due to lack of political and CSO support, loss of donor confidence as a result of major reputational damage, or external factors outside of Global Fund control	ER	(1) Replenishment Strategy executed successfully, yielding US 12.9 billion for 2017-2019. (2) Ongoing advocacy and engagement of donors, civil society, private sector. (3) New GF Strategy as approved by the Board in April 2016 embeds the SDG agenda.	Medium	→	Improved (Successful Replenishment)	Ongoing monitoring of political transitions & building strong cross-party support for GF in key donor countries to address increasingly challenging political landscape in key donor countries. In addition to the US, other up-coming political transitions in 2017: Netherlands (March parl. elections), France (May presidential & June parl. elections), Norway and Germany (Sept), ROK and Italy (TBC). UK December 2016 Multilateral Development Review (MDR) assessed the Global Fund as 'very good' in terms of 'match with UK priorities' and 'organizational strengths'. Other donor reviews in final stages: MOPAN assessment (Q1 2017) and DFAT review (summary to be published in Feb 2017). Good progress in negotiation of 5th Replenishment agreements: as of end-2016, 10 bilateral and 1 tripartite agreements signed, 8 bilateral agreements to be signed during Q1 and 11 more (10 MYCAs and 1 annual agreement) on track to be signed by mid-2017, and finally a further 6 agreements in negotiation with signature timing TBC. Per GF/B36/DP03, an ongoing resource mobilization plan for the current and next replenishment period covering both public and private sectors as well as innovative financing mechanisms is currently in development (paper for review by AFC in March 2017). The RM Action Plan will be presented to the Board at its 37th meeting in May 2017.	(1) US: Additional mitigating measures may be needed in the context of appropriations discussions. (2) UK: Additional mitigating measures to secure PS payments to maximize UK matching for malaria by 30 Sept 2017.	Low	Financial & Fiduciary Risks
	12	Foreign Exchange Risk (a) Existing Pledges: Past inability to hedge foreign exchange exposures due to external institutional factors in the financial sector leading to losses. (b) Future Pledges/ 5th Replenishment (Economic FX Risk): Mismatch between the time pledges are announced by donors until the time new contribution agreements are signed, booked and hedged. Potential non-compliance with derivatives trading regulations. (c) High risk related to UK contribution for the 5th replenishment in terms of Forex & conditionalities.	FISA	(1) All new contribution agreements are consistently hedged with close monitoring of the FX "legacy" risk and related market entry strategy. (2) A new Global FX Management Framework was approved by the Audit and Finance Committee and is being implemented. The new policy allows for hedging off-balance sheet exposures (i.e. mostly pledges).	Medium	→	No change	On track/Ongoing New contributions received have been immediately hedged. Part of GBP legacy position has been hedged due to Brexit (remaining open position is GBP 250m). Regular update to AFC on hedging and legacy position. New FX Policy (Global FX Management Framework) approved by the AFC ahead of the 5th Replenishment. Planned Implementation of the newly approved Global FX Management Framework (2017). Onward monitoring of the FX "legacy" risk and related market entry strategy (2017).		Low	Financial & Fiduciary Risks
Operational Risks - Secretariat -	13	Risks associated with Risk Management and Internal Controls driven by the need for: (a) Operationalization and embedding of robust risk management processes across the organization with clear roles and responsibilities for the 3 lines of defense; and (b) Strengthened internal controls, including grant oversight & compliance monitoring.	MEC, Risk	(1) 3 lines of defense model adopted by the Board for the GF (Risk Management Policy) but internally not effectively operationalized and embedded. Risk Management, Legal and Compliance and Finance fulfilling control/2nd line functions. Strong 3rd line of defense function (OIG). (2) New Enterprise Risk Committee operational since early 2016 meeting on a monthly basis, allowing deep dive reviews of selected prioritized risks and guidance on optimization of further risk mitigation actions. (3) Operational Risk Committee revived since May 2016 for management review of prioritized risks and mitigation measures. (4) Review of 12 of 20 core organizational processes for compliance with COSO Internal Control - Integrated Framework. (5) OPN on "Risk Management across the Grant Lifecycle."	High	→	No change	On track/Ongoing Prioritized Action Plan (PAP) implemented to strengthen risk management and internal controls subject to quarterly monitoring. Operational Policy Note (OPN), entitled "Risk Management across the Grant Lifecycle" approved, defining risk management requirements for grant-related processes. 17 out of 30 High Impact and Risk countries reviewed by the Operational Risk Committee. Risk and Assurance pilots completed and approach finalized. Roll-out and embedding of Risk & Assurance Planning Methodology into GMD continues. Reduction in AMAs led by GMD, FISA and Risk. Final draft of Accountability Framework complete. Planned Review of 8 remaining core organizational processes for compliance with COSO Internal Control - Integrated Framework (Q1 2017). Continued roll-out of Assurance planning across High Impact and Risk countries (2017). Standardizing risk management approaches and oversight over High Impact and Core portfolios (2017). Execution of strengthening measures to bring 20 core organizational processes into substantial compliance with the COSO framework (2017). Onward monitoring of internal controls to ensure continued ongoing compliance with COSO framework (2017).	Establishing a Compliance and Monitoring Function within the Secretariat.	Low	Governance, Oversight & Management Risks
	14	Lack of Integrated Processes, Systems and Tools leading to weaknesses in grant and risk management, high transaction costs, low staff morale, and weakened internal controls	MEC, GMD, FISA, Risk	(1) Inventory of processes, selection of core processes and mapping of IT infrastructure completed. (2) Financial processes (Step-up) fully updated with automated controls almost completed. (3) Differentiation Project concluded, including new country classification implemented (High Impact, Core, Focused).	Medium	→	No change	On track/Ongoing AIM project for integrated grant management and data systems implemented Release 2 covering 143+ grants across 35 countries. Planned Roll out of Integrated Risk Management Tool (Release 4 of AIM, currently scheduled for end of Q2 2017). Automation of ORR through Rexplorer (Q2 2017)	Change management for implementation of transformative projects (see Risk 15).	Low	Governance, Oversight & Management Risks
	15	Transformative Projects/Initiatives Critical projects and initiatives may not be delivered on time, as per required quality or in an effective way: (a) Accelerated Integration Management (b) Assurance Practices (c) Country Presence Model (d) Differentiation for Impact (e) FICER (Financial Control Environment Reviews) (f) Financial Management Capacity (Co-Link) (g) Human Rights Baseline Study (h) Impact through Partnership (i) Integrity Due Diligence (j) Procurement Improvement (PPM & Wambo) (k) Program Quality and Efficiency (l) Project Management (m) Risk Management Engagement (n) Strategic Actions for Gender Equality (o) Strategy Planning and Implementation (p) Strengthening Internal Controls of Key Processes & Risk Oversight (q) Supply Chain Project	OED, FISA	(1) Prioritized Action Plan implementation (2) Project Management Office coordinates and centrally monitors cross-divisional projects and initiatives. (3) Monthly PCC meetings serve as an information sharing platform with the aim of optimizing project efficiency and effectiveness. (4) Results of D41 operationalized in Q3-Q4 2016	Medium	→	No change	On track PMO monitoring of new and ongoing initiatives through the PAP and regular PCC meetings. AIM project further advanced and on track with Release 2 of the new Grant Operational System. Roll-out and embedding of Risk & Assurance Planning Methodology to high impact countries underway. GF project management trainings held for project managers and staff. Planned Release 3 of AIM, December 2016; Release 4 to follow in Q2 2017. Leverage PAP to enhance governance over key initiatives (2017). Completion of Accountability Framework (Q1 2017)		Low	Governance, Oversight & Management Risks
	16	Staff Health Continued high stress levels and sick leave rates due to workload, tight deadlines, inadequate staffing and support, poor culture and working climate, bullying and harassment and other violations of corporate values can lead to productivity loss and mission failure.	ED, GMD, HR	(1) MEC approved flexible working arrangements for improved work-life balance. (2) Wellness Weeks program. (3) 2016 Staff Engagement and Manager Survey conducted, outcome discussed by MEC and shared with staff. (4) Activities: Team resilience training for people managers (8 sessions with 85 participants); 6 Staff Counselor Guides developed about wellbeing; Mindfulness course (8 weeks) open to all staff - 3 programs organized in 2016 with 66 participants; Lunch-time sessions by Staff Counselor (8 in number with 130 participants). (5) Partner Onboarding Program. (6) Transitioning to Retirement program.	Medium	→	No change	Ongoing Ombudsman Annual Report 2016: a number of positive developments (focus on impact, wellness, Ethics Officer); workload remains an issue for parts of GF. Health insurance: drop in loss ratio to 103% (claims vs premiums) - showing a steady improvement when compared to the last 3 years. Engagement Survey - significant progress in staff well-being (+27% in collective wellbeing scores between 2012 and 2016) Staff Counsellor 2016 annual report: Workload management remains a key issue for a number of staff; Planned Continuation of Mindfulness courses (2017). Additional manager training sessions (2017). Collaboration with Ethics Office on Diversity and Inclusion (2017). Collaboration with Project Management Office on Planning and Prioritizing tools (2017). Manager tools for aiding reintegration of employees absent from work for health reasons (2017). Wellness Weeks 2017.		Low	Governance, Oversight & Management Risks
	17	Organizational Culture If the "New Global Fund culture," including organizational values and improved managerial accountability is not operationalized, performance and reputational harm may ensue. Emerging Risk: While the implementation of D41 was conducted with minimal institutional disruption, the movement of seasoned staff into new positions presents challenges for retention and transfer of institutional memory.	ED, MEC	(1) Implementation of HR Strategy. (2) People management training on organizational culture for staff. (3) Employee wellness activities ongoing. (4) Updated Code of Conduct for Staff, new Bullying and Harassment Policy and updated disciplinary procedures rolled-out 1 March 2016.	Medium	→	No change	Ongoing Additional HR management trainings to improve culture and collaboration conducted. Positive results related to staff wellbeing from 2016 Staff Engagement Survey. Ethics Office focus on operationalization of an ethics policy, integrity framework and monitoring the staff code of conduct. High-level focus on culture and values as part of new People Strategy. Planned Roll-out of awareness raising and related trainings on ethics and integrity as part of new culture project (2017). Monitoring of the updated staff Code of Conduct and related HR policies (2017). Senior management to continue addressing engagement Survey Results (2017).		Low	Governance, Oversight & Management Risks
	18	IT Risks (a) Business interruption due to weak disaster recovery can lead to financial loss and/or reputational damage. (b) Weaknesses in data security can also lead to financial loss and/or reputational damage.	FISA	(1) Office email, SharePoint, Lync and one-drive moved to the MS 365 Cloud. (2) General IT controls strengthened to meet OIG baseline and international IT control standards. (3) New information governance regulations approved by MEC and effective since Q1 2016. (4) Chief information security officer implemented basic IT security measures. (5) Transfer of key IT systems/applications from BIBC to a US-based service provider with high availability and disaster recovery capacity (Q4 2016). (6) Enterprise Architecture Board setup - completed. (7) New Information Governance Regulations approved - completed. (8) New Data Protection Policy developed in Q4 2016.	Medium	→	No change	On track/Ongoing Transferred IT systems out of BIBC; Full Disaster Recovery test conducted successfully. Security awareness catalogues setup in Learning Management System (iLearn). Planned Create DR test schedule for 2017 (Q2 2017). Rollout mandatory security awareness training to all staff (Q2 2017) Perform ISO27001 gap analysis and create plan for ISO27001 certification (Q1 2017). Non-Disclosure Agreement to be sent and signed by all IT Consultants (Q1 2017).		Low	Governance, Oversight & Management Risks
Operational Risks - Grants -	19	Procurement and Supply Chain due to weak in-country management and IT systems and capacity, including lack of consumption data and unreliable forecasting leading to treatment disruption and poor quality of services, increased drug resistance risks as well as expired drugs and poor Value for Money	GMD, Sourcing	(1) New Supply Chain Department developing strategy aimed at improving supply chain management across the portfolio. (2) PPM & Wambo operational. (3) Rapid Supply Mechanism (vendor managed inventory) operational since June 2015 for PPM and non-PPM countries. (4) Systematic annual review and approval by the Secretariat of forecast and quantification for High Impact and high PSM risk countries. (5) Cooperation with key partners at country level, with focus on HI countries for the development of national forecasts and supply plans.	High	→	No Change	Ongoing Rapid Supply Mechanism being successfully used helping to prevent stock-outs. Coordination mechanism or forecasting committee in place in all HI impact countries to develop and update demand forecast and quantification, and supply plan. Supply Chain collaboration with USG agreed including focus on coordinating demand forecasting at country level. Initial list of countries identified for targeted supply chain diagnostics, with the goal of completing In-Country diagnostics in 12 to 20 countries in 2017. Initial selection of KPIs that will provide assurance regarding supply chain strengthening efforts have been approved by the relevant Steering Committee. GF is currently documenting the KPI definitions and preparing communication to country teams and PRs Catalytic funding has also been approved for key supply chain-related initiatives, including: i) supply chain innovation to identify technology-driven solutions and private sector investments; and ii) engagement with the private sector, foundations and universities to expand supply chain schools across Africa. Planned Finalization of GF SC strategy (Q2 2017). Strengthened compliance monitoring with GF PSM and QA policies (Q2 2017).	Coordination with key partners for targeted HSS investments in PSM and QA systems.	Medium	Health Product Management & Supply Chain Risks

20	<p>Substandard Quality of Health Products due to weak supply chains, non-adherence to Global Fund Quality Assurance policies, drug diversion and counterfeit drugs can reduce the impact of Global Fund investments</p>	Sourcing GMD	<p>(1) New Supply Chain Department developing strategy aimed at improving supply chain management across the portfolio.</p> <p>(2) Global Fund QA policies for pharmaceutical and diagnostic products, including specific pre-shipment inspection and testing to prevent procurement of substandard products.</p> <p>(3) Grant requirements for QA/QC plans to monitor product quality throughout the in-country supply chain. MoU signed with CepAT based in Ghana for facilitating access to TA in QA/QC for implementers and national labs in Africa.</p> <p>(4) Targeted HSS investments for strengthening countries' pharmacovigilance systems.</p> <p>(5) Many grants support SC strengthening to secure and control products flows, in particular to combat counterfeiting (see risk #19 for additional mitigation measures).</p>	Medium	→	No change	<p>Ongoing</p> <p>Supply Chain Assurance Framework developed to better mitigate SC risks, including risks related to health product quality.</p> <p>Initial list of 28 countries identified for targeted supply chain diagnostics, 20 will be completed in 2017.</p> <p>Updated GF Guide to PSM policies for implementers.</p> <p>Policy update of the GF QA policy for diagnostic products; to be submitted to Strategy Committee in March 2017</p> <p>Analysis of pharmaceutical QA policy to be submitted to Strategy Committee in March 2017</p> <p>Dedicated QA team head-count increase from 1 to 3 staff, strengthening compliance monitoring of Supplier Quality and Product Quality Assurance policies and systematic country QA plan reviews.</p> <p>Ongoing engagement with internal and external stakeholders regarding counterfeit health products</p> <p>US \$12 million in catalytic funding will be invested to strengthen the WHO drug prequalification program.</p> <p>Planned</p> <p>Operationalization of strategic initiative for pre-qualification of medicines and in-vitro diagnostic products (2017).</p> <p>Execution of Supply Chain Assurance Reviews (2017)</p> <p>Use of qualified external parties for improved upstream & downstream monitoring (2017).</p>	Targeted HSS investments for establishment of in-country accredited QC lab and strengthened post marketing surveillance.	Low	Health Product Management & Supply Chain Risks
21	<p>Poor Quality of Programs/Services funded by the Global Fund, increase drug resistance and decrease overall impact</p>	SIID, GMD	<p>(1) Global quality standards for key interventions are adopted through new funding application modules.</p> <p>(2) Work-streams to address these issues include Risk and Assurance roll-out and Program Quality and Efficiency initiative.</p> <p>(3) TAP dissemination of HIV best practices for 3 countries.</p>	High	→	No change	<p>On track</p> <p>Program and Data Quality Strategy completed and new OPN on Data and Program Quality released which introduces a more robust approach to assessing program and data quality risks.</p> <p>Program Quality and Efficiency pilots being mainstreamed under ITP.</p> <p>ITP mainstreamed and refocused on alignment of partners for impact.</p> <p>Planned</p> <p>Implementation of Program Quality and Efficiency interventions under ITP (2017).</p> <p>Leveraging of HFAs and DHIS2 to strengthen routine monitoring and national surveillance (2017).</p>	<p>(1) Support for expanded client/patient-centered services and monitoring thereof in the new funding cycle.</p> <p>(2) Continued expansion of private-public mix in the new funding cycle.</p>	Medium	Programmatic & M&E Risks
22	<p>Low Absorption (use of funds) Low absorption of funds can undermine achievement of country and global objectives</p>	FISA, GMD	<p>(1) ITP "mainstreamed" for systematic partner mobilization and implementation support across the portfolio.</p> <p>(2) Over 100 actions agreed for the 20 countries under ITP and captured in jointly developed mutual accountability frameworks with partners.</p> <p>(3) Monthly monitoring of progress and quarterly updates of financial forecasts and expenditures on country and global basis.</p>	High	→	No change	<p>Ongoing</p> <p>Implementation of actions in-country ongoing. Monthly monitoring of agreed actions based on partners mutual accountability framework.</p> <p>Mainstreaming of ITP implies impact-driven partnerships and interventions.</p> <p>Planned</p> <p>Pro-active country engagement and follow-up on action plans for High-Impact and Risk countries (2017).</p> <p>Use of comprehensive and financial assurance plans to maximize program impact, efficiency and absorption (2017).</p> <p>Systematic identification and sharing of best practices internally and with key partners (2017).</p>		Medium	Programmatic & M&E Risks
23	<p>Poor Financial Reporting by Countries Incomplete, incorrect, delayed or inadequately supported financial records by PRs or SRs due to inadequate financial management systems</p>	FISA	<p>(1) Development and implementation of grant-level financial assurance plans across the portfolio.</p> <p>(2) Follow-up of grant-level financial assurance plans by CT finance officers.</p> <p>(3) Co-link initiative action plans for strengthening financial management capacity of implementers in place for 13 countries.</p> <p>(4) Enhanced tracking of audit report follow-up.</p>	Medium	→	No change	<p>Ongoing</p> <p>Financial Risk and Assurance Plans for High Impact and Core countries substantially completed (98% of all grants except for Vietnam); Financial Assurance Plans will be integrated into the Comprehensive Assurance Plans performed at Country Level.</p> <p>Execution of action plans in 13 countries for strengthening implementers' financial management capacity. 3 pilots in progress (Cote d'Ivoire, Senegal and Burkina Faso); awaiting PU/DR end of February 2017 to validate outputs. Possible delay envisaged for PU/DRs due to awaited AIM pre-populated PU/DRs for the relevant reporting period.</p> <p>Planned</p> <p>Develop financial monitoring dashboard for systematic oversight of financial control effectiveness at implementer level (Q1 2017).</p> <p>Execution of capacity-building action plans under Co-link initiative in 9 countries (Q1-Q2 2017). Nine country portfolios planned for 2017 as per targets under SO-2(g) (i.e. 6 regular capacity building to be completed by 31st Dec 2017; 3 targeted for initiation under PFM/Donor harmonization by 31st Dec. 2017 and for completion by 31st December 2018).</p> <p>Strengthening external audit quality to include assessment of PR internal control and compliance with Terms of Reference (FCER AMA) through Secretariat-led execution of Regional Auditor assignments, collaboration with the World Bank on external audit firm assessment and/or accreditation/selection (2017).</p>		Low	Financial & Fiduciary Risks
24	<p>Grant Related Fraud and Fiduciary Risks Inadequate financial/fiduciary control, including for procurement practices, can lead to under-absorption, misuse of funds and/or a lack of financial efficiency</p>	FISA	<p>(1) Development and implementation of grant-level financial assurance plans across the portfolio.</p> <p>(2) Strengthening of fiduciary controls including over procurement mandated for new grants and during grant implementation.</p> <p>(3) Use of PPM or outsourcing of procurement to procurement or fiscal agents.</p>	Medium	→	No change	<p>Ongoing</p> <p>Financial Control Environment Review (FCER) pilot completed for Nigeria by KPMG. Cross-cutting AMAs agreed by MEC and the AFC in December 2016; to be jointly monitored by Risk Department and FISA.</p> <p>Financial Risk and Assurance Plans for High Impact and Core countries substantially completed (98% of all grants except for Vietnam); Financial Assurance Plan will be integrated into the Comprehensive Assurance Plans performed at Country Level.</p> <p>New Integrity Due Diligence Project initiated, led by the Ethics Officer, and external provider for third party due diligence risk management system selected via competitive process.</p> <p>Planned</p> <p>Embed lessons learned from the FCER for strengthened fraud risk management in high-risk grant portfolios (throughout 2017)</p> <p>Roll-out of revised financial audit TORs emphasizing risk based assessment of PR internal controls: selection and contracting of Regional auditors in progress; roll out of pilots in South East Asia and EECA from March to June 2017; full roll out is planned in Q3 2017 for grants in Core and High impact countries as well as high risk grants in focused portfolios.</p> <p>Development of financial risk guidelines for implementers almost 75% complete. Internal consultations expected in February 2017.</p> <p>Develop and implement anti-Fraud Risk Guidelines to assess fraud risk in 20 high-risk countries (Q2 2017); Working Group mobilized and Table of Contents agreed with a first draft expected by March 2017</p> <p>Develop financial monitoring dashboard for systematic oversight of financial control effectiveness at implementer level (Q1 2017).</p> <p>Develop and implement new Integrity Due Diligence policy and framework for selection and ongoing monitoring of implementers, suppliers and other 3rd parties (2017).</p>		Medium	Financial & Fiduciary Risks
25	<p>Poor Grant Oversight & Compliance (at PR level) Inadequate PR oversight of grant programs and non-compliance with Global Fund requirements due to inadequate internal control systems and capacity can result in reduced impact, poor VFM, potential fraud and reputational damage</p>	GMD, FISA	<p>(1) PR selection prior to TRP and GAC approval that meet minimum standards. Increased efforts are being made in grant making to address critical capacity issues prior to grant signing ("disbursement-ready grant").</p> <p>(2) Implementation arrangement mapping being done for all new grants which helps in optimization of implementation structure and targeted strengthening of internal controls.</p>	Medium	→	No change	<p>Ongoing</p> <p>Financial Risk and Assurance Plans for High Impact and Core countries substantially completed.</p> <p>Comprehensive assurance plans being developed for High Impact and Risk portfolios.</p> <p>Updated OPNs released for differentiated grant management and risk management across the grant lifecycle; strengthened assurances with additional resources made available allowing improved GF oversight & compliance monitoring for high impact and risk countries and high risk areas.</p> <p>Planned</p> <p>Selection of PRs/implementers who meet GF minimum standards for internal controls and capacity in the new funding cycle (2017).</p> <p>Implementation of initiatives aimed at improving implementer capacity and internal controls (2017).</p> <p>Implementation of strengthened risk and assurance plans for all High Impact and Risk portfolios (2017).</p> <p>Improved management of financial assurance providers including FA assessment tools almost 75% completed; development of FA performance assessment metrics and cost model ongoing (2017).</p>		Medium	Governance, Oversight & Management Risks
26	<p>Weak Governance and Oversight Failure to adequately respond to identified weaknesses in governance mechanisms can lead the Board to make faulty decisions and impede its ability to provide clear strategic direction</p>	Board Chair	<p>(1) Ethics and Governance Committee (EGC) started its mandate in April 2016, first meeting June 2016.</p> <p>(2) New coordinating group in place, and meeting regularly every six weeks with systematic reporting to the Board. Review of cross-cutting issues, including the Prioritized Action Plan regularly on the agenda.</p> <p>(3) Performance Assessment Framework developed and implemented at every committee meeting. Board and Board Leadership assessments initiated.</p> <p>(4) Improved governance structure and new committees now in place following competency based review of potential members.</p>	Medium	→	No change	<p>On track/Ongoing</p> <p>Strengthened oversight and systematic review of cross-cutting issues and risks continues by the EGC.</p> <p>EGC has detailed work plan covering critical governance and ethics work streams.</p> <p>Performance assessments and improvement plans mainstreamed.</p> <p>New Committee member induction, and induction processes for Committee leadership completed.</p> <p>Planned</p> <p>New Board Leadership selection process initiated based on EGC recommendations.</p> <p>Implementation and operationalization of Board governance reforms (2017).</p> <p>Implementation of new on-boarding for Board members and development of e-learning modules (2017).</p> <p>Continued governance improvements as recommended by the EGC to the Board (2017).</p> <p>Defined strategic information (strategic and operational KPIs and key risk indicators) (2017).</p>		Low	Governance, Oversight & Management Risks
27	<p>Ethics Risks (All) Non-Compliance with Global Fund ethical standards and policies (as defined in Codes of Conduct for staff, recipients and suppliers) can lead to poor decision-making, potential fraud, financial loss, reputational damage, and/or failure to achieve strategic objectives</p>	Ethics Officer	<p>(1) Strengthened Ethics & Integrity Framework approved by GF Board in November 2014.</p> <p>(2) Ethics Policy including Conflict of Interest in place.</p> <p>(3) Codes of Conduct in place for grant recipients, suppliers, LFAs and Board.</p> <p>(4) Code of Conduct for governance officials and creation of an independent Ethics Office approved by Global Fund Board in March 2015.</p> <p>(5) Updated Code of Conduct for GF staff, new HR bullying and harassment policy and strengthened disciplinary measures, effective since 1 March 2016.</p> <p>(6) "I speak up" whistleblowing line to OIG in place; "We Speak Together for Better Grant Impact" developed to encourage staff to reach out to the OIG.</p>	Medium	→	No change	<p>Ongoing</p> <p>Overarching Anti-Corruption Policy will create consistent and enforceable definitions of prohibited practices, set prioritization, and clarify responsibilities for anticorruption.</p> <p>Comprehensive Anti-Corruption Framework will set groundwork for corruption risk assessment that will identify gaps, weaknesses and potential synergies for anti-corruption measures across GF ecosystem.</p> <p>New Code of Conduct for CCMs with performance based enforcement mechanism to be approved by EGC and rolled out in 2017.</p> <p>Roll out of the Integrity Due Diligence project for development of an IDD policy and framework.</p> <p>Trainings on ethical conduct for staff and engagement with managers on weaknesses in staff engagement survey aim to improve ethical conduct in the Secretariat.</p> <p>Planned</p> <p>Ethics Office to update and strengthen remaining ethics and conduct codes and policies to create mutual consistency (Q4 2017).</p> <p>Establishment of system for effective implementation and compliance monitoring (Q4 2017).</p>		Low	Governance, Oversight & Management Risks
28	<p>Other (All) Privileges and Immunities Absence of P&Is exposes the Global Fund to lawsuits and its assets to enforcement measures. In addition, lack of P&Is hinders the Global Fund's ability to: (a) protect and maximize the impact of Global Fund resources; (b) conduct resource mobilization; (c) protect governance officials and staff; (d) deliver life-saving commodities in a timely and efficient manner; and (e) conduct recovery efforts</p>	Legal	<p>(1) P&I Strategy approved by Board Leadership, whereupon implementation began.</p> <p>(2) Privileges and Immunities Advisory Group (PIAG) involved in high-level advocacy, leveraging diplomatic and political networks.</p>	Medium	→	No change	<p>Ongoing</p> <p>The Global Fund has been granted privileges and immunities by four countries. In addition, 14 countries have signed the Agreement on Privileges and Immunities (P&I Agreement). Out of these countries, five have also ratified, accepted or otherwise approved the P&I Agreement.</p> <p>Planned</p> <p>New General Counsel to be hired (Q2 2017)</p>	5 additional ratifications, acceptances or approvals are necessary before the P&I Agreement framework becomes effective.	Medium	Governance, Oversight & Management Risks
29	<p>Reputational Risk (All) Reputation Misleading or disproportionately negative media coverage of misuse of funds or other inappropriate activities leads to reputational damage and potential loss of future donor funding</p> <p>Critical OIG reports can harm the Global Fund's reputation</p> <p>Organizational inefficiencies, poor governance and oversight, performance issues or serious internal control weaknesses can also inflict reputational harm</p>	MEC, PCC, Risk, Ethics Officer, Comms	<p>(1) Enterprise Risk Committee focus on key organizational risks</p> <p>(2) Strengthened Risk Department enhances enterprise risk management.</p> <p>(3) Prioritized Action Plan implementation through PCC.</p> <p>(4) Development of accountability framework.</p> <p>(5) Strengthened IDD and ethics approach through Ethics Office.</p> <p>(6) Implementation of communications strategy with Board, donors and partners.</p>	High	→	Increased from Medium to High	<p>Ongoing</p> <p>Strengthened risk management and oversight for High Impact and Risk portfolios including COEs as part of differentiation project.</p> <p>Start of new Ethics review and operationalization of ethics related policies and codes of conduct, including Integrity Due Diligence.</p> <p>Planned</p> <p>Proactive management of communications (2017).</p> <p>Strengthening and operationalizing ethics controls and culture (2017).</p>	Heightened awareness of this risk across the Secretariat.	Medium	Governance, Oversight & Management Risks

Progress Update – Prioritized Action Plan (PAP)

March 2017
Geneva, Switzerland

Prioritized Action Plan (PAP) Quarterly Update Report & Risk Report

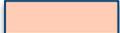
Summary

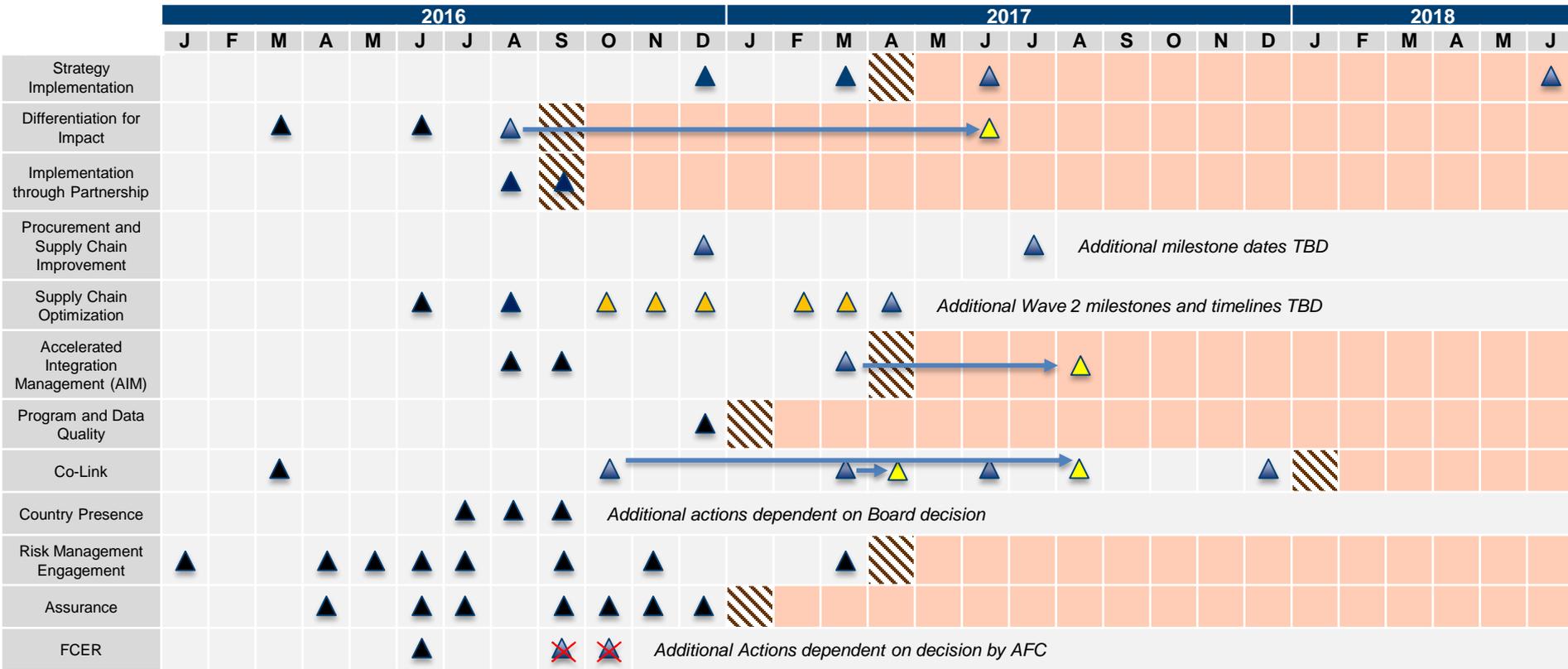
- The Prioritized Action Plan has been updated at the end of Q1 2017.
- Overall, the results are aligned to the Plan, as **84%** of deliverables are completed on time.
- **8%** representing 5 deliverables were re-prioritized. The status is on-track, according to the priority revision. The projects/initiatives developed robust mitigation plan that resulted in limited impact on overall operations
- **8%** are due to re-alignment of the Supply Chain project based on initial diagnostic and revised roadmap.



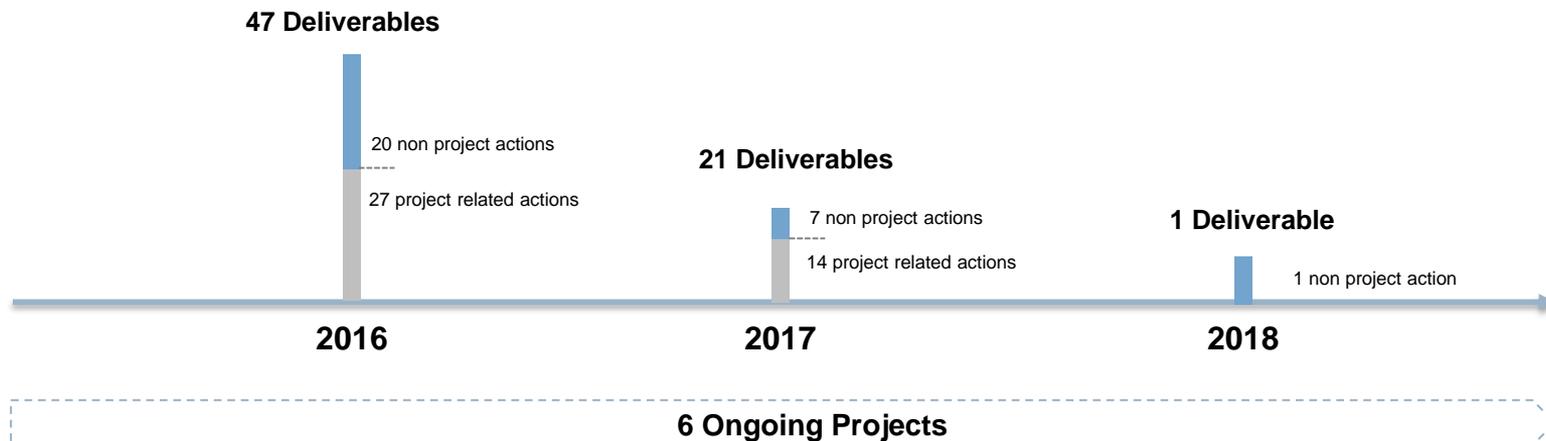
As of today, 65% of the overall PAP deliverables have been fully completed.

Timeline & Milestones

-  Key Milestone /  Completed Milestone
-  Postponed Milestone
-  Project moved to mainstream
-  Deliverables to be reviewed
-  Project fully completed
-  Deliverables cancelled



Prioritized Action Plan



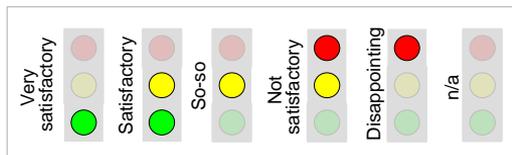
65 % of 2016-2018 deliverables are completed

84 % of deliverables due for end of March are completed

Deliverables Update Report

Current status of key initiatives

Indicator

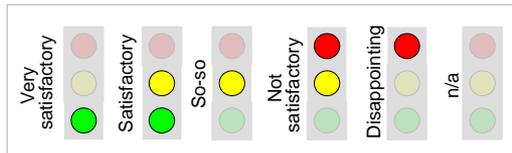


<p>Strategy Planning and Implementation</p>		<ul style="list-style-type: none"> • Cascade from the organization's performance management framework metrics or measurements for Secretariat teams • Implementation plans for each SO linked to the performance management framework • 2017 activity & work plan for each SO linked to the implementation KPIs and thematic reporting • Operational policy notes and guidelines approved by EGMC • MEC review of SO implementation 	<p>End of March 2017</p>
<p>Differentiation for Impact (D4I)</p>		<ul style="list-style-type: none"> • Approved Country Categorization with high level definitions of scope and impact • People Strategy for Focused, Core and HI portfolios Approved • Finalized and roll-out trainings for at least 90% of the country teams 	<p>End of March 2017</p>
<p>Implementation through Partnership</p>		<ul style="list-style-type: none"> • Collective Analysis of 20 Countries Convened • Actions Identified & Prioritized • Mobilization and Coordination of Technical Support Finalized • Actions Implemented in-country, Results Monitored • Integration of ITP as a part of mainstreamed processes/activities 	<p>End of March 2017</p>

Deliverables Update Report

Current status of key initiatives

Indicator

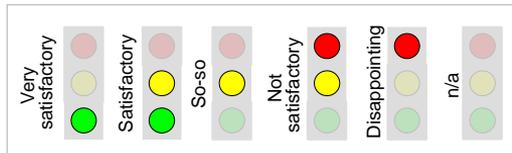


Procurement and Supply Chain Improvement		No milestone as end of March 2017	End of March 2017
Supply Chain Optimization		<ul style="list-style-type: none"> • Document of network design • Agreement from countries to participate • Request for Proposal for support to carry out project • Report to evaluate and assess the current state of the strategy • Diagnostic document for 3 countries 	End of March 2017
Accelerated Integration Management (AIM)		<ul style="list-style-type: none"> • Approved end to end business process design • Finalize a risk management process flow • Roll-out of the new operating system that provide grant portfolio data from PRs 	End of March 2017
Program and Data Quality		<ul style="list-style-type: none"> • Rollout GF Strategy for Program and Data Quality Improvement 	End of March 2017

Deliverables Update Report

Current status of key initiatives

Indicator

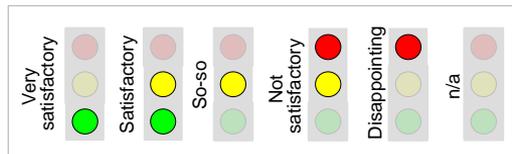


Financial Management Capacity (Co-Link)		<ul style="list-style-type: none"> Approved Roadmap and project structure 	End of March 2017
Country Presence Model		<ul style="list-style-type: none"> Comprehensive list of country presence options Assessed list of viable country presence options Costing Model Paper for country presence to be discussed by the Strategy Committee 	End of March 2017
Strengthening Internal Controls of Key Processes & Risk Oversight		<ul style="list-style-type: none"> Internal controls for 12 core processes strengthened & formalized (80% COSO compliant) 	End of March 2017

Deliverables Update Report

Current status of key initiatives

Indicator

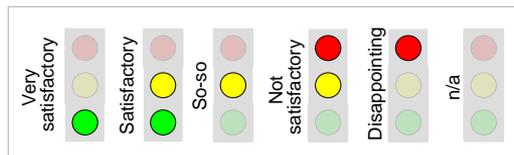


<p>Assurance Practices</p>	<p>● ● ●</p>	<ul style="list-style-type: none"> Completed Key Risk Matrix per each country Assurance Assessment per each country OPN/Guidance Note Staff Training Module Completed Key Risk Matrix Assurance Assessment List of key assurance needs, the most probable options for each assurance need (with pros and cons) RFI launched to seek information from possible providers Complete budgeting exercise to increase funding to SC assurance 	<p>End of March 2017</p>
<p>FCER (Financial Control Environment Reviews)</p>	<p>● ● ●</p>	<ul style="list-style-type: none"> Formal opinion on the reliability of financial controls within the high-risk Nigeria grants over the period 1 June 2015 to 30 April 2016, including formal testing of expenditures to ensure in alignment with the approved grant budgets. Assess the Financial Risk and Assurance Model (FRAM) developed by the country teams at key risky PRs in the selected countries Report to Audit and Finance Committee on findings with recommendation on whether the FCER should be embedded into the overall risk and assurance framework of the organisation 	<p>End of March 2017</p>

Deliverables Update Report

Current status of key initiatives

Indicator



Risk Management Engagement



- Integration of risk's management team's view in grant management decision making processes.
- Revised criteria, country list and updated Country Risk Dashboard
- Minutes of the ORC with key decision points
- “Operational Plan on Risk Department Engagement Model vis-à-vis Grant Management” shared with GMD and Senior Management
- Complete and consulted OPN approved by EGMC
- ERC Minutes
- Risk Report together with latest Corporate Risk Register submitted to the Board
- Country Risk Dashboard

End of March 2017

Project Management



- Resources allocated for PMO function and team structure
- PMO Standard toolkit and governance model for monitoring
- Approved project management competency level for training and identification of training provider
- Training initiated for the basic and intermediary project and change management competencies
- Monthly Project Coordinating meetings and quarterly reporting to MEC

End of March 2017

Risk Report		Objective: Detail emerging risks that could potentially impact project success and identify if escalation to Board and/or committees is required.	
Project Name	Risks	Mitigation strategy	Need of escalation
Initiative	Risk description	Mitigation	Yes/No
Strengthening Internal Controls of Key Processes & Risk Oversight	Expected timelines have been changed	No impact on other initiatives, no risk identified	No
Accelerated Integration Management (AIM) (Risk section in GOS)	Expected timelines have been changed	Limited impact on other initiatives. As a mitigation measure, the current systems will continue working before these functionalities are integrated	No
Co-Link: Budgeting Guidelines	Expected timelines have been changed	Limited impact on Grant Making, an accelerated EGMC process to mitigate the risk (1 month delay)	No
Co-Link: Financial Handbook	Expected timelines have been changed	No impact on Grant-Making, no risk identified	No
D4i: “approved responsibility matrix”	Not yet been validated - document has been finalized by D4i project in draft, however, important sections are being finalized (for example Grant Making).	No impact on other initiative, this has been reprioritized to June 2017 for approval by EGMC.	Yes
Supply Chain Optimization	Some PAP deliverables need to be adapted to the current Supply Chain strategy	Supply Chain to come with updated list of deliverables to be submitted for validation	No