

38th Board Meeting

Risk Management Report

GF/B38/18

14-15 November 2017, Geneva, Switzerland

Board Discussion

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

I. Executive Summary:

Context

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

Questions this paper addresses

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

Conclusions

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

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

Input Sought

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

Input Received

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

II. Introduction:

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

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

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

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

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

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

1. Program Quality and Efficiency:

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

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

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

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

2. Drug and Insecticide Resistance:

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

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

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

3. Human Rights and Gender Inequality:

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

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

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

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

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

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

4. Internal Operations:

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

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

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

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

5. Governance:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. **Strengthening Internal Controls and Monitoring:**

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

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

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

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

3. Developing and Operationalizing Risk Appetite:

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

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

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

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

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

VI. Status Update on the Prioritized Action Plan:

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

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

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

VII. Potential Challenges in Maintaining Current Momentum:

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

VIII. Conclusion:

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

The Global Fund's Organizational Risk Register

Q2 2017

(31 August 2017)



The Global Fund's Organizational Risk Register

Definitions

Definitions for the Organizational Risk Register

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

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

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

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

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

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

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

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

Residual Risk:

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

Risk Rankings 5-Point Scale

	<i>Very High</i>
	<i>High</i>
	<i>Moderate</i>
	<i>Low-Moderate</i>
	<i>Low</i>

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

Direction of Travel (of level of residual risk):



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



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



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

Risk Appetite:

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

Global Fund’s Ability to Mitigate:

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

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



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

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

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



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



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



ORR Risk Summary

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

Risk Rankings: 5-Point Scale

Very High		High		Moderate		Low-Moderate		Low	
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1. Program Quality and Efficiency					Residual Risk ¹	Risk Appetite ²																							
Risk Owner: TAP	IRT Category: Programmatic & M&E	Direction of Travel: 	No change since last quarter																										
Risk Description Poor Quality of Programs/Services funded by the Global Fund, increase drug resistance and decrease overall impact. Absent adequate program quality, differentiated approaches to achieve impact in diverse country contexts can lessen the impact of Global Fund's investments in fighting the three diseases.					Target Risk ²	GF Ability to Mitigate																							
																													
					Key Partners																								
Key Countries/Components					<i>Agencies of the US Government, World Health Organization and Health Data Collaborative have a minor ability to mitigate Program Quality and Efficiency risk</i>																								
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2. Strategic Data Quality and Availability					Residual Risk ¹	Risk Appetite ²																																																	
Risk Owner: TAP	IRT Category: Programmatic & M&E	Direction of Travel:	Remapped to "Moderate" from "High" in last quarter		(High end of moderate)																																																		
Risk Description Poor quality and/or unavailability of program data due to weak in-country and/or Global Fund data systems can hamper programs' ability to reach their targets.					Target Risk ²	GF Ability to Mitigate																																																	
Risk Impact Poor quality data can impede implementers' management of quality programs and the Global Fund's ability to assess their impact. This can result in flawed investment decisions in programs with improper focus on beneficiary populations and failure to achieve desired public health impact.					Key Partners																																																		
Key Countries/Components					<i>The World Health Organization, GAVI, Gates Foundation and University of Oslo have a moderate ability to mitigate Strategic Data Quality and Availability risk.</i>																																																		
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1. Root Causes	2. Current Controls & Mitigations		4. Progress on Ongoing & Planned Mitigations			Status:																																																	
Factors at both country and Secretariat levels affect the accuracy and use of data to inform appropriate programmatic and financial decisions: (1) Insufficient human and financial resources and infrastructure; (2) Weak management; (3) Inadequate supervision; (4) Poor analytical capacity; and (5) Sub-optimal access to and use of	Country level: (1) Grant supported investments for strengthening of in-country M&E systems, including human and financial resources and infrastructure, as well as the District Health Information System 2 (DHIS2)/other Health Management Information System rollout and maintenance (ref. 1.5); (2) Refocusing on grants' program and data quality and efficiency through systematic in-country reviews (Impact Through Partnership) (refs. 1.1-5); (3) Catalytic funding for data systems 2017 - 2019 (ref. 1.5); (4) Aligning program and data quality assurance (Program and Data Quality Operational Policy Note) with overall Risk Assurance Planning (refs. 1.4-5); (5) Tracking of new Global Fund Strategy for KPI 6d on HMIS coverage and KPI 5 on data disaggregation (ref. 1.5). Secretariat: (1) Performance Framework Modular Framework updated in close collaboration with partners. Guidance regularly disseminated to Public Health and M&E specialists (refs. 1.4-5); (2) Accelerated Integration Management (AIM) project to improve internal availability of quality grant data for decision making (ref. 1.5); (3) Quality assurance of Performance Frameworks (refs. 1.4-5)		Ongoing Strategic Initiative (1) Guidance note on key areas for M&E investments issued and being used by Country Teams during country dialogue and grant making; (2) Impact Through Partnership refocusing on keys areas to improve program and data quality and efficiencies including development of the new Data Use and Action Framework; (3) Operational Policy Note on Data and Program Quality implemented through LFAs and other specialized assurance providers, in partnership with WHO, GAVI, World Bank and USAID through the Health Data Collaborative (HDC). Includes 20 national level Health Facility Assessments and/or Data Quality Reviews ongoing/initiating; (4) Monitoring Evaluation & Country Analysis & Technical Advice and Partnerships (MECA/TAP) working to expand and align Program Quality and Efficiency assurances within comprehensive portfolio-level assurance plans. Other (1) GF M&E Dashboard to track country M&E system performance being populated for integration into the overall RSSH Dashboard; (2) Modular Framework updated and biweekly clinics for individualized Performance Framework development being run by MECA throughout grant making; (3) Performance Framework and results data quality assured and verified for full migration of all existing grants to Grant Operating System; (4) Peer reviews of Performance Frameworks before submission to Grant Approvals Committee. Planned Strategic Initiative(s) (1) Catalytic funding for data systems ongoing, including Request for Proposals for building analytical capacity to improve program quality and resource allocation in 15 High Impact countries, and creating a pool of technical assistance for country data systems and use.																																																				
3. Assurances	(1) Special studies or evaluations; (2) Data quality facility assessments; (3) Review of data systems (community/facility); (4) Partner reviews; (5) Data quality spot checks.		5. Additional Actions Needed Aligning partners around collection of impact data through mainstreamed ITP approach.			Timelines 2017 2017 2017-2018 2017 2017 - 2018 Q3 2017 Q3 - Q4 2017 Q3 2017 2017-2018																																																	

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

3. Procurement				Residual Risk ¹	Risk Appetite ²	
Risk Owner: Sourcing	IRT Category: Health Product Management & Supply Chain	Direction of Travel: 	No change since last quarter			
Risk Description Procurement challenges and failures that lead to poor value for money or financial losses, procurement of incorrect or sub-standard products or delayed delivery, potentially leading to stock out, treatment disruption; poor quality of services or wastage of funds. Procurement represents a significant risk in the Global Fund portfolio with 41% of grants rank "Treatment Disruption", a risk potentially related to Procurement, as a High Risk.				Target Risk ²	GF Ability to Mitigate	
						
Risk Impact Over 40% of grant funding is allocated to health commodities, making it imperative that procurement is subject to appropriate technical, regulatory and financial requirements with robust and cost efficient processes. While about 60% of the procurement are centralized through the Pooled Procurement Mechanism and the rest is through a wide range of procurement channels (National systems or Procurement Agents); the challenges of poorly managed procurement processes linked to quantification; planning; fraud that negatively impacts on the supply chain creating risks of stock-outs; treatment disruptions; expiration; degraded quality or loss. Procurement failures have the potential to lead to reduced impact of Global Fund investments and increased mortality and morbidity from				Key Partners		
Key Countries/Components				<i>Donors including the World Bank, US and France provide focused technical assistance related to health commodity procurement.</i>		
1 Nigeria	5 Uganda	9 Malawi	13 Myanmar			17 Viet Nam
2 India	6 Tanzania	10 Ghana	14 Ukraine			18 Sudan
3 Mozambique	7 Kenya	11 Zambia	15 Burkina Faso			19 Guinea
4 Ethiopia	8 DRC	12 Cameroon	16 Côte d'Ivoire			20 Pakistan
Top 20 countries by commodity budget						
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  	
(1) Inadequate human resource capacity or data systems for quantification / forecasting and demand planning; (2) Limited product market knowledge by buyers to ensure value for money; (3) Lengthy procurement processes and /or governance-related challenges leading to non-cost effective procurement practices/outcomes; (4) Inadequate focus on other elements of procurement beyond prices, often resulting to poor supplier performance and delays in deliveries; (5) Individual procurement do not necessarily provide leverage to ensure Value for Money.	(1) Pooled Procurement Mechanism aggregates order volumes on behalf of participating grants to negotiate best prices and delivery conditions with manufacturers for Principal Recipients. PPM is used for an estimated 60% of Global Fund annual spending on health products (refs. 1.1-5); (2) wambo.org - the online procurement platform that provides access to negotiated prices and conditions to countries - Pooled Procurement Mechanism for core products (refs 1.1-5); (3) Rapid Supply Mechanism that responds to emergency needs of countries and addresses stock out situations (ref. 1.3); (4) Pre-qualification of pharmaceuticals and health products (ref. 1.2); (5) Increased focus by the Secretariat on quantification, demand planning and management (ref. 1.1).	Ongoing Strategic Initiative(s) (1) Board approved Market Shaping Strategy; (2) Wambo.org - automation of Pooled Procurement Mechanism transactions (Phase 1A) and providing access to countries with domestic financing (phase 1b). Other (1) See Supply Chain Risk (#4). Planned Strategic Initiative(s) (1) Using Pooled Procurement Mechanism negotiated/reference prices as benchmark for non-Pooled Procurement Mechanism procurement; (2) Extending negotiated prices and conditions to non-Pooled Procurement Mechanism countries / entities using Global Fund grants; (3) Extending and measuring Pooled Procurement Mechanism KPIs (cost savings; On-time In-Full etc.) to non-Pooled Procurement Mechanism countries. Other (1) Coordination on quantification & demand forecasting and planning between Supply Chain and Sourcing; (2) Procurement Capacity Building (procurement portal, training and mentorship); (3) Health Product Management budgeting/supply planning tool in development.		Timelines 2016 onwards Ongoing Ongoing Q4 2017 (1-3) Ongoing (1-3)		
3. Assurances		5. Additional Actions Needed				
(1) Price and Quality Reporting - LFA verifications on prices; (2) Pooled Procurement Mechanism reference pricing and KPIs - as benchmark.						

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4. Supply Chain				Residual Risk ¹	Risk Appetite ²																																																												
Risk Owner: GMD	IRT Category: Health Product Management & Supply Chain	Direction of Travel:	No change since last quarter																																																														
Risk Description Gaps in the supply chain management cycle of pharmaceutical and health products, including weak in-country management, management information systems & capacity. Supply chain management represents the most prevalent risk in the Global Fund's portfolio with 41% of grants ranking "Treatment Disruption" as a High Risk.				Target Risk ²	GF Ability to Mitigate																																																												
Risk Impact With over 40% of grant funding allocated to health commodities, high volumes of lifesaving products flow through national supply chains that are often fragile, insecure and poorly managed, which can lead to treatment disruption and poor quality of services, increased drug resistance, as well as expired drugs and poor value for money. Ultimately, this can lead to reduced impact of Global Fund investments and increased mortality and morbidity.																																																																	
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1		5		9		13		17		21																																																							
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1. Root Causes		2. Current Controls & Mitigations		4. Progress on Ongoing & Planned Mitigations		Status:																																																											
(1) Insufficiently trained staff for recording, reporting and monitoring of health commodities at different levels of supply chain; inadequate logistics management capacity (2) Lack of reliable consumption data, and /or MIS for reconciliation between inventory and patient information for effective forecasting & quantification (3) Poor oversight and control of stock levels for key products at different levels of the supply chain system (4) Inadequate facility capacity, conditions, logistics or vehicles for storage and distribution at central or peripheral levels (5) Lack of coordination among key stakeholders involved in or supporting the supply management cycle of health products.		(1) Grant support for supply chain systems strengthening activities in key countries to address issues related to data, human resources for health, storage and other infrastructure, training, commodities tracking, national capacity, national investments for drugs, supply chain, quality control & commodity security (refs. 1.1-5); (2) Systematic annual review and approval by the Secretariat of forecast and quantification for High Impact and high procurement and supply chain management risk countries (ref. 1.1-2); (3) Cooperation with key partners at country level, with focus on High Impact countries for the development of national forecasts and supply plans (refs. 1.1, 1.5).		Ongoing Strategic Initiative (1) Rollout of Supply Chain Department strategy aimed at improving supply chain management across the portfolio (2) Implementation of targeted supply chain diagnostics, with the goal of completing in-country diagnostics in 12 countries in 2017; (3) Development of definitions and data collection processes to allow for baseline measurements of Steering Committee-approved supply chain strengthening KPIs; (4) Catalytic funding for key supply chain-related initiatives, including supply chain innovation to identify technology-driven solutions and private sector investments; engagement to expand supply chain schools across Africa; (5) Catalytic funding for supply chain and procurement capacity building. 19 countries identified for work over 3 years & Tanzania and Zimbabwe to launch in Q3 2017. Other (1) Coordination mechanism or national forecasting committee in place in all High Impact countries; (2) Supply Chain collaboration with Interagency Supply Chain Group (ISG), with focus on demand forecasting; (3) Health product management budgeting/supply planning tool in development; (4) Strengthen the execution of supply chain assurance activities based on the learnings from Phase 1 rollout; (5) 9 supply chain data & finance initiatives in 2018.		Timelines 2017-18 Q4 2017 Q3 2017 Q4 2017-2020 Q3 2017-2020 2017-2020 Q3 2017 Q4 2017 Q2-Q3 2017 2018																																																											
3. Assurances				Planned Strategic Initiative (1) Risk and assurance framework for lab services and diagnostic products under development; (2) Request for Proposals for identifying service providers in lab assessment, product availability and market survey for selected key countries are in progress.																																																													
(1) In-country supply chain diagnostics in 12 countries in 2017; (2) Initial selection of KPIs to provide assurance regarding supply chain strengthening efforts approved by the relevant Steering Committee; (3) 14 supply chain assurance activities outlined in Supply Chain Assurance Framework; (4) New assurance activities: i. Mapping medical lab equipment mapping ii. Market surveillance on product diversion or leakage.				5. Additional Actions Needed Mechanism to ensure timely implementation of in-country diagnostics, including needed escalation if necessary.																																																													

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5. Grant-Related Fraud and Fiduciary										Residual Risk ¹	Risk Appetite ²																																										
Risk Owner: FISA		IRT Category: Financial & Fiduciary Risks			Direction of Travel: 		No change since last quarter																																														
Risk Description Misuse of funds due to wrongdoing and inadequate financial/fiduciary control, including for procurement practices.										Target Risk ²	GF Ability to Mitigate																																										
																																																					
Risk Impact Fraud and weaknesses in internal control environments can result in financial losses that affect value for money and lead to inadequate program coverage, execution and impact against the diseases, as well as potentially cascading reputational losses.										Key Partners																																											
Key Countries/Components										N/A																																											
<table border="0"> <tr><td>1</td><td>Nigeria</td><td>6</td><td>Zimbabwe</td><td>11</td><td>South Africa</td><td>16</td><td>Rwanda</td><td>21</td><td>Burkina Faso</td></tr> <tr><td>2</td><td>Tanzania</td><td>7</td><td>Uganda</td><td>12</td><td>Zambia</td><td>17</td><td>Pakistan</td><td>22</td><td>Sudan</td></tr> <tr><td>3</td><td>DRC</td><td>8</td><td>Malawi</td><td>13</td><td>Myanmar</td><td>18</td><td>Ghana</td><td>23</td><td>Viet Nam</td></tr> <tr><td>4</td><td>Mozambique</td><td>9</td><td>Ethiopia</td><td>14</td><td>Indonesia</td><td>19</td><td>Cameroon</td><td>24</td><td>Ukraine</td></tr> <tr><td>5</td><td>India</td><td>10</td><td>Kenya</td><td>15</td><td>Côte d'Ivoire</td><td>20</td><td>Bangladesh</td><td>25</td><td>Mali</td></tr> </table>	1	Nigeria	6	Zimbabwe	11	South Africa	16	Rwanda	21			Burkina Faso	2	Tanzania	7	Uganda	12	Zambia	17	Pakistan	22	Sudan	3	DRC	8	Malawi	13	Myanmar	18	Ghana	23	Viet Nam	4	Mozambique	9	Ethiopia	14	Indonesia	19	Cameroon	24	Ukraine	5	India	10	Kenya	15	Côte d'Ivoire	20	Bangladesh	25	Mali	Top 25 countries by allocation amount
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1. Root Causes		2. Current Controls & Mitigations			4. Progress on Ongoing & Planned Mitigations					Status:	  																																										
(1) Questionable budget; presence of high risk activities; (2) Weak PR management; (3) Weaknesses in the PR internal control framework; (4) Weak bank and cash management procedures; (5) Weak SR oversight; (6) Weak ethical environment.		(1) Development and implementation of grant-level financial assurance plans across the portfolio (refs. 1.1-6); (2) Strengthening of fiduciary controls including over procurement mandated for new grants and during grant implementation (ref. 1.3); (3) Mandating use of Fiduciary Agents in high risk countries (refs 1.1-6); (4) Use of Pooled Procurement Mechanism or outsourcing of procurement to procurement or fiscal agents (ref. 1.2); (5) Financial Control Environment Review pilot recommendations (refs. 1.1-6).			Ongoing (1) Financial Control Environment Review cross-cutting Agreed Management Actions jointly monitored by Risk Department and FISA; (2) Continuous monitoring of the financial assurance plans by Finance Specialists; (3) Roll-out of revised financial audit Terms of Reference emphasizing risk based assessment of PR internal controls: selection and contracting of regional auditors in progress; roll out of pilots in Southeast Asia, MENA and EECA from March to June 2017; full roll out is planned for grants in Core and High impact countries as well as high risk grants in focused portfolios; (4) Development of financial risk guidelines for implementers drafted and awaiting expected approval from Executive Grant Management Committee.					Timelines																																											
3. Assurances					Planned (1) Implement Financial Control Environment Review recommendations in high-risk grant portfolios; (2) Develop and implement anti-Fraud Risk Guidelines to assess fraud risk in 20 high-risk countries; (3) Develop financial monitoring dashboard for systematic oversight of financial control effectiveness at implementer level; (4) Develop and implement new Integrity Due Diligence policy and framework for selection and ongoing					2017 2017 Q3 2017 Q3 2017 Q3-Q4 2017 Q3 2017 Q4 2017 Q4 2017																																											
(1) Financial Risk and Assurance Plans for High Impact and Core countries integrated into country-level Comprehensive Assurance Plans; (2) Fiduciary Agent reports; (3) LFA spot checks.					5. Additional Actions Needed																																																

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

6. Financial Capacity & Reporting by Countries					Residual Risk ¹	Risk Appetite ²																																																	
Risk Owner: FISA	IRT Category: Financial & Fiduciary Risks	Direction of Travel: 	No change since last quarter																																																				
Risk Description Incomplete, incorrect, delayed or inadequately supported financial records by PRs or SRs due to inadequate financial management systems.					Target Risk ²	GF Ability to Mitigate																																																	
																																																							
					Key Partners																																																		
Key Countries/Components					<i>The World Bank and US Government agencies have a moderate ability to mitigate the risk of poor Financial Capacity & Reporting by Countries.</i>																																																		
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1. Root Causes		2. Current Controls & Mitigations		4. Progress on Ongoing & Planned Mitigations		Status:	  																																																
(1) Inadequate human resource capacity; (2) Weak or nonexistent financial management systems.		(1) Development and implementation of grant-level financial assurance plans across the portfolio (refs. 1.1-2); (2) Follow-up of grant-level financial assurance plans by Country Team finance officers (refs. 1.1-2); (3) Co-link initiative action plans for strengthening financial management capacity of implementers in place for 13 countries (refs. 1.1-2); (4) Enhanced tracking of audit report follow-up (refs. 1.1-2).		Ongoing Strategic Initiative(s) 1) Execution of capacity-building action plans under Co-link initiative in 9 countries. 3 pilots in progress (Cote d'Ivoire, Senegal and Burkina Faso). Countries targeted for capacity strengthening in the second half of 2017 include Burundi, Guinea Conakry, DRC, Guinea Bissau, Niger, Mauritania, Tunisia and Gabon; (2) Technical evaluation and selection of service-providers to provide support to implementers for execution of financial capacity-building action plans completed in July 2017. Other (1) Financial Risk and Assurance Plans for High Impact and Core countries completed; Financial Assurance Plans being integrated into the Comprehensive Assurance Plans performed at country level; (2) Execution of action plans in 13 countries to strengthen implementers' financial management capacity.		Timelines Q3-Q4 2017 Q3 2017 2017-2018 2017-2018																																																	
3. Assurances				Planned Other (1) Develop financial monitoring dashboard for systematic oversight of financial control effectiveness at implementer level; (2) Strengthening external audit quality to include assessment of PR internal control and compliance with Terms of Reference (Financial Control Environment Review agreed management action); (3) Regional Auditor assignments, collaboration with the World Bank on external audit firm assessment and/or accreditation/selection; (4) Nine country portfolios planned under Co-Link for 2017 as per targets under Strategic Objective-2(g) (i.e. 6 regular capacity building to be completed by 31 Dec 2017; 3 targeted for initiation under public financial management/donor harmonization by 31 Dec 2017 and for completion by 31 Dec 2018).		2017 2017 2017 Dec 2018																																																	
5. Additional Actions Needed																																																							
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board																																																							

7. Grant Oversight & Compliance (at PR Level)						Residual Risk ¹	Risk Appetite ²
Risk Owner: GMD	IRT Category: Governance, Oversight & Management		Direction of Travel: 	No change since last quarter			
Risk Description Inadequate PR oversight of grant programs and non-compliance with Global Fund requirements due to inadequate internal governance structures, internal control systems and capacity.						Target Risk ²	GF Ability to Mitigate
Risk Impact Poor grant oversight and compliance by principal recipients can result in reduced impact against the diseases, poor value for money, fraud and reputational damage to the Global Fund.							
						Key Partners	
Key Countries/Components							
1 Nigeria	6 Zimbabwe	11 South Africa	16 Rwanda	21 Burkina Faso	Top 25 countries by allocation amount	<i>Bilateral donors such as the US and France provide focused technical assistance to PRs.</i>	
2 Tanzania	7 Uganda	12 Zambia	17 Pakistan	22 Sudan			
3 DRC	8 Malawi	13 Myanmar	18 Ghana	23 Viet Nam			
4 Mozambique	9 Ethiopia	14 Indonesia	19 Cameroon	24 Ukraine			
5 India	10 Kenya	15 Côte d'Ivoire	20 Bangladesh	25 Mali			
1. Root Causes		2. Current Controls & Mitigations		4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Inadequate PR management capacity; (2) Weak human resource capacity; (3) Weak internal controls at the PR level.		(1) PR selection prior to Technical Review Panel and Grant Approvals Committee approval that meet minimum standards (refs. 1.1-2); (2) Implementation arrangement mapping conducted for all new grants (ref. 1.1); (3) Grant making actions specifically to address capacity issues prior to grant signing (ref 1.2); (3) Financial Risk and Assurance Plans for High Impact and Core countries completed (ref 1.3).		Ongoing (1) Updated Operational Policy Notes released for differentiated grant management and risk management across the grant lifecycle; strengthened assurances with additional resources made available allowing improved Global Fund oversight & compliance monitoring for high impact and risk countries and high risk areas; (2) Streamlined risk oversight and risk tools at the Secretariat level to ensure better implementation capacity; (3) Comprehensive assurance plans being developed for High Impact and Risk portfolios.		Timelines 2017-2022 (1-3)	
3. Assurances				Planned (1) Selection of PRs/implementers who meet Global Fund minimum standards for internal controls and capacity in the new funding cycle; Implementation of initiatives aimed at improving implementer capacity and internal controls; (2) Implementation of strengthened risk and assurance plans for High Impact and Risk portfolios; (3) Improved management of financial assurance providers including financial assurance assessment tools almost 75% completed; development of financial assurance performance assessment metrics and cost model ongoing.		Q3-Q4 2017 Q3-Q4 2017 Q3-Q4 2017	
(1) Capacity Assessment Tool; (2) LFA spot checks; (3) Programmatic assurance options.				5. Additional Actions Needed			

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

8. Quality of Health Products				Residual Risk ¹	Risk Appetite ²	
Risk Owner: GMD	IRT Category: Health Product Management & Supply Chain	Direction of Travel: 	No change since last quarter			
Risk Description Patients exposed to substandard quality health products as a result of weak supply chains, non-adherence to Global Fund Quality Assurance policies, diversion and counterfeit drugs.				Target Risk ²	GF Ability to Mitigate	
						
Risk Impact Poor health outcomes; reduction in the impact of Global Fund investments.				Key Partners		
Key Countries/Components				<i>Agencies of the US Government, World Bank, World Health Organization and GAVI have a minor to moderate ability to mitigate health product quality risk.</i>		
1 Nigeria 2 India 3 Mozambique 4 Ethiopia	5 Uganda 6 Tanzania 7 Kenya 8 DRC	9 Malawi 10 Ghana 11 Zambia 12 Cameroon	13 Myanmar 14 Ukraine 15 Burkina Faso 16 Côte d'Ivoire			17 Viet Nam 18 Sudan 19 Guinea 20 Pakistan
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations			Status:	  
(1) Procurement of substandard health products; (2) Poor logistics management; (3) Diversion.	(1) Global Fund Quality Assurance policies for pharmaceutical and diagnostic products (revised version of the latter approved at the 37th Board meeting), including specific pre-shipment inspection and testing to prevent procurement of substandard products (ref. 1.1); (2) Grant requirements for Quality Assurance/Quality Control plans to monitor product quality throughout the in country supply chain. MoU signed with the Center for Pharmaceutical Advancement and Training (CepAT) based in Ghana for facilitating access to technical assistance in quality assurance/quality control for implementers and national labs in Africa (ref.1.1);	Ongoing (1) Rollout of Supply Chain Department strategy aimed at improving supply chain management across the portfolio (2) Supply Chain Assurance Framework being developed to better mitigate supply chain risks, including risks related to health product quality; (3) 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; (4) Strengthened compliance monitoring of Supplier Quality and Product Quality Assurance policies and systematic country Quality Assurance plan reviews with additional quality assurance capacity at the Secretariat; (5) Ongoing engagement with internal and external stakeholders regarding counterfeit health products including participation in the Global Steering Committee for Quality Assurance of Health Products;			Timelines 2017-18 2017 2017 2017-2018 2017-2022 2017-2020	
3. Assurances	(3) Targeted RSSH investments for strengthening countries' pharmacovigilance systems (ref. 1.2); (4) Many grants support supply chain strengthening to secure and control products flows, in particular to combat counterfeit (ref. 1.3).	Planned (1) US \$12 million in catalytic funding will be invested to strengthen the WHO prequalification program for health products, including medicines, diagnostics and vector control products.				
Supply chain assurance options.		5. Additional Actions Needed				
		Targeted RSSH investments for establishment of in-country accredited Quality Control lab and strengthened post marketing surveillance.				

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

9. Human Rights and Gender Inequality					Residual Risk ¹	Risk Appetite ²
Risk Owner: CRG	IRT Category: Programmatic & M&E	Direction of Travel: 	No change since last quarter			
Risk Description Human rights- and gender-related barriers, including stigma and discrimination, limit access to health services for key and vulnerable populations.					Target Risk ²	GF Ability to Mitigate
						★★
Risk Impact Failure to address human rights-related barriers and gender inequality issues can result in failure to achieve Strategic Objective 3, but more broadly also Strategic Objective 1, inasmuch as they reduce uptake of and retention in services funded by the Global Fund and thus reduce the impact of grant supported programs.					Key Partners	
Key Countries/Components					<i>UNAIDS, UNDP and WHO provide advocacy support.</i>	
1 Lesotho 2 Tanzania 3 DRC 4 Mozambique 5 Swaziland	6 Zimbabwe 7 Uganda 8 Malawi 9 Botswana 10 Kenya	11 South Africa 12 Zambia 13 Namibia 14 Indonesia 15 Côte d'Ivoire	16 Honduras 17 Jamaica 18 Ghana 19 Cameroon 20 Senegal	21 Benin 22 Nepal 23 Philippines 24 Ukraine 25 Kyrgyzstan		
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations			Status:	  
(1) Social, cultural and political biases; (2) Inability/unwillingness of countries to address societal biases; (3) Armed conflict; (4) Lack of data for evidence-based programs to reduce human rights-related and gender-related barriers; (5) Limited partner capacity for technical and other support.	(1) Technical briefing notes on HIV and human rights and gender equality, TB, human rights and gender and malaria, human rights and gender inform grant making (refs. 1.1-5); (2) Sex and age data disaggregations integrated into performance frameworks (ref. 1.4); (3) Specific human rights and gender guidance developed for Challenging Operating Environments (refs. 1.1-5); (4) Regional Civil Society platforms available for focused technical assistance (refs. 1.1-5). (5) Comprehensive accountability framework on gender equality in place (refs. 1.1-2); (6) CRG Strategic Initiative 2017-2019 (refs. 1.1-5);	Ongoing Strategic Initiative (1) Intensive support project for 20 countries to scale up programs to reduce human rights-related barriers to services and 13 countries to scale up programs for adolescent girls and young women (with overlap in 6 countries) (2) Baseline studies of human rights-related barriers to services underway or scheduled for 20 countries; (5) Private sector campaign to raise funds for Prioritized Above Allocation Request adolescent girls and young women activities Other (1) CRG Advisers providing support as other countries have been developing their applications; (2) Short CRG trainings for country teams; (3) Intensive adolescent girls and young women training for GMD and other focused discussions; Secretariat training on gender equality launched; (4) Action plans for technical partner MoUs are being developed. Planned Strategic Initiative (1) Development and implementation of 5-year plan to scale up programs to reduce human rights-related barriers to service for 20 intense effort countries; (2) Development and implementation of differentiated support plan for scaling up programs to reduce human rights-related barriers to services for countries outside the intense support efforts; (3) Development and implementation of targeted support plans on TB and malaria for gender and human rights and TB and malaria; Other (1) Application of lessons learned in selected Challenging Operating Environments; (2) Training on human rights and gender-responsive programming, and continued trainings on gender equality;			Timelines 2017-2020 Q3 2017- Q2 2018 2017-2020 Q1-Q4 2017 Q3 - Q4 2017 Q2 2017 - Q2 2018 Q3/Q4 2017 Q3 2017- 2022 Q3 2017 Q3 2017 Q3 2017 - Q4 2018 tbd	
3. Assurances	(1) TERG Evaluation on programs for adolescent girls and women; (2) Annual report against accountability framework on gender; (3) Regular reporting on progress on KPIs 5, 8 and 9; (4) LFA spot checks.	5. Additional Actions Needed (1) Development and implementation of a plan to increase knowledge and skills across the Secretariat to adequately support countries with programming to reduce human rights and gender-related barriers to services; (2) Development and implementation of a plan to support capacity-building of implementers; (3) Strengthening community based monitoring as an assurance option.				
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board						

10. Transition				Residual Risk ¹	Risk Appetite ²
Risk Owner: GMD	IRT Category: Cross-cutting	Direction of Travel: 	No change since last quarter		
Risk Description Countries are unable to sustain impact as they transition towards full domestic financing and program implementation of the national disease response without further Global Fund support.				Target Risk ²	GF Ability to Mitigate
					
Risk Impact Unsuccessful transition can result in service disruption or lack of continuity of services (especially for key and vulnerable populations), inability to continue to scale service provision in line with global and national targets, a reduction in the availability of essential quality assured affordable health products and commodities, and limited ability of existing national civil society to sustain programs and build capacity without external financing. As a result, the three diseases could remain public health threats in countries no longer eligible for Global Fund support.				Key Partners	
Key Countries/Components Under the Sustainability, Transition and Co-Financing (STC) Policy, all Upper Middle Income Countries (UMIC) and Lower Middle Income Countries (LMIC) with low or moderate disease burden are considered "Transition Preparedness" priorities. This is a cohort of approximately 81 disease components (including those receiving transition funding), representing approximately .835 billion dollars of the Global Fund allocation. In addition, 32 disease components within this transition preparedness cohort are projected to fully transition from Global Fund financing during or prior to the 2023-2025 allocation cycle. Of these 32 components, 12 disease components are currently receiving transition funding in the 2017-2019 allocation cycle.				<i>The World Bank and World Health Organization have a minor ability to mitigate transition risk.</i>	
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Continued epidemiological challenges and programmatic gaps in the national disease responses; (2) Dependence on Global Fund financing for key interventions of the national disease response; (3) Unpredictable and challenging environment for global health financing; (4) Political, economic, legal challenges at the country level, resulting in limited financing of key interventions without donor support; (5) Lack of advanced planning for transition.	(1) <i>Transition Planning</i> -- Including: a) Publication of STC Guidance Note; b) publication of transition projections document; c) Development of an updated Transition Readiness Assessment tool and continued implementation of assessments; d) development of a "social contracting" specific tool to assess sustainability of civil society supported service implementation (refs 1.3, 1.5); (2) <i>Secretariat Organization on STC</i> -- Under the STC Initiative, identification of a cross-departmental STC Matrix Team, with project lead and 5 embedded transition specialists; integration of STC considerations into performance objectives of GMD staff and identification of STC as a GMD Divisional Priority for 2017 (ref 1.5); (3) <i>Strengthened Operational Guidance on STC</i> -- Including: a) updated Operational Policy Note on co-financing; b) strengthened Grant Approvals Committee review of STC; c) updated Access to Funding process to strengthen transition focus, including transition tailored review application (ref 1.3); (4) <i>Co-financing incentive</i> amounts set for GF portfolio for 2017-2019 allocation period (ref. 1.2); (5) <i>Capacity</i> -- 1) Strategic Information and Sustainable Financing experts added to the TRP to increase focus of review on domestic financing, health financing, sustainability, and transition; 2) Launched training initiative for Secretariat Staff (refs. 1.3-4).	Ongoing Strategic Initiative(s) (1) Strategic Initiative for Sustainability, Transition, and Efficiency (STE) operationalized; actively being implemented following Grant Approvals Committee approval of high level work-plans; (2) Training Course on STC in development, financing secured, and consultants retained. Launch of trainings to Secretariat staff in 2017 to approximately 80% of UMIC and LMIC with low/moderate disease burden Fund Portfolio Managers and 50% of overall Country Teams; (3) Strengthening and accelerating work on innovative finance, including work-stream on loan buy downs with 5 potential cases, two recommended by TRP as part of Prioritized Above Allocation Request; (4) Ongoing GMD efforts to leverage the grant-making process to integrate transition preparedness measures for UMICs and LMICs with low/moderate disease burden during the grant-making process (5) Updating of STC Guidance Note to include annex on procurement and supply chain management and Transition ; (6) Continued implementation of Transition Readiness Assessments -- 12 GF supported Transition Readiness Assessments completed and 11 either in progress or planned; (7) Strategic Initiative support for civil society and governments to ensure that services related to community, rights, and gender continue to be provided in post transition settings.		Planned Other (1) Multi-donor/partner collaboration for joint health financing strategies and engagement to increase domestic funding for health; (2) Further identification of specific roles and responsibilities of STC Matrix Team to ensure accountability and	Timelines 2017-2018 (1-7) 2017
3. Assurances		5. Additional Actions Needed			
(1) Transition Readiness Assessments; (2) Co-financing compliance monitoring; (3) TERG post-transition evaluations.		(1) Strengthened STC partnerships including with both established and new partners, with a particular focus on GATES, WHO, WB, particularly in the area of health financing, domestic financing, and innovative financing; (2) Strengthened focus on strategies for alleviating procurement challenges in contexts where governments are assuming a greater role in the procurement of essential health products, medicines, and commodities; (3) Strengthened capacity of internal resources and partner support for the development and implementation of innovative finance mechanisms, including loan buy downs.			
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board					

11. Drug and Insecticide Resistance				Residual Risk ¹	Risk Appetite ²
Risk Owner: TAP	IRT Category: Programmatic & M&E	Direction of Travel: 	No change since last quarter		
Risk Description Threat of increased resistance of drugs and insecticides used to fight the three diseases, leading to increased morbidity and mortality. Inconsistent treatment regimens, low quality pharmaceuticals, and interruptions in health product supply foster drug resistance that threatens public health. 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.				Target Risk ²	GF Ability to Mitigate
					
Risk Impact Drug resistance and inadequate treatment adherence can lead to treatment failures and overall heightened disease burdens across portfolios, negatively impacting Global Fund mission and investments. The development of resistance to insecticides used in LLINs and IRS risks diminishing the effectiveness of vector control tools, which have been critical in interrupting transmission.				Key Partners	
Key Countries/Components				<i>The World Bank, WHO and US Government agencies have a minor ability to mitigate the risk of Drug and Insecticide Resistance .</i>	
TBD					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Insufficient financing; (2) Inadequate surveillance; (3) Inadequate diagnostics; (4) Inadequate vector control; (5) Poor quality health products; (6) Instability of drug supply and inappropriate use of drugs; (7) Undertrained public health workers.	(1) Global Fund Quality Assurance policies for finished pharmaceutical products & diagnostics (ref. 1.3, 1.4); (2) WHO normative guidance in place; Global Fund support for implementation of new WHO guidelines for Drug Resistant Tuberculosis (ref. 1.2, 1.5); (3) Regional Artemisinin Resistance (RAI) program in the Greater Mekong Sub-region (ref. 1.1 - 1.6); (4) Global Fund support for the WHO Innovation to Impact (I2I) Initiative to transform the process for developing and delivering life-saving vector control products (ref. 1.1, 1.6); (5) Impact through Partnership initiative (including program quality and efficiency) mainstreamed (ref. 1.1-1.7).	Ongoing Other (1) TB: Global Fund support for implementation of new WHO guidelines for drug -resistance TB (including short regimens for multidrug-resistant TB (MDR-TB) and new drugs); updated Green Light Committee MoU for MDR-TB high burden countries (new simplified approach to Green Light Committee payments from Global Fund funded TB programs) (ref. 1.4, 1.5, 1.7); (2) Malaria: ongoing focus on optimization of vector control interventions and targeted RSSH investments (ref 1.6); (3) HIV: New Global Action Plan for drug resistant HIV (2017-21) developed in collaboration with CDC, the Global Fund and PEPFAR (4) Global Fund support for scaled up rapid testing and detection of malaria and TB/MDR-TB case finding (including strategic initiative and catalytic investments to specifically find missing cases) (ref. 1.2, 1.3); (5) Coordinated work with WHO and other partners on Global Action Plan for drug resistant HIV - focal point identified, contributed to development of Global Action Plan, updated information note, supporting countries to improve quality and efficiency of programs, etc. (ref. 1.1 - 1.5).		Timelines 2017-2020 (1-4) Q4 2017 Q4 2017	
3. Assurances (1) Supply chain diagnostics in twenty prioritized countries to gain insight into stability of drug supply; (2) LFA spot checks; (3) Technical partner reports; (4) Drug resistance surveillance; (5) Five in-country deep-dives designed to validate country supply chain segmentation (completed).		Planned Strategic Initiatives Supply chain diagnostics in 12 prioritized countries may assess issues related to root causes underlying this risk (ref. 1.3, 1.4, 1.7) 3) US\$33 million in Catalytic Funding allocated for a Strategic Initiative to support market entry of new generation LLINs (ref. 1.6)			
5. Additional Actions Needed					
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board					

12. Internal Operations				Residual Risk ¹	Risk Appetite ²
Risk Owner: FISA	IRT Category: N/A	Direction of Travel: 	No change since last quarter		
Risk Description Risks affecting the smooth operation of the Secretariat, reflecting key enterprise level operations at the Secretariat, including enterprise-wide projects, Information Technology (IT), financial controlling and sourcing (indirect procurement).				Target Risk ²	GF Ability to Mitigate
Risk Impact Decreased ability of the Global Fund to operate effectively to deliver on its mission.					
Key Countries/Components					
N/A					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Health Campus: This risk is primarily a function of the need to ensure facility construction, move-out and IT continuity against an increasingly urgent project timetable ahead of the Secretariat's move to its new premises by 31 March 2018. (2) IT: Key IT risks are segregated into 4 main categories: <ul style="list-style-type: none"> a. Failure to deliver on critical projects and new technology initiatives; b. IT operations - availability, performance, recoverability and reliability; c. Information Security (cyber security incident, accidental or malicious loss of sensitive Global Fund information) d. Supplier relations and oversight (Contracting and management oversight of critical key IT vendors). (3) Sourcing: The Global Fund is vulnerable to financial loss and reputational damage if critical procurement-related components are not properly managed or completed on time.	Health Campus: (1) Dedicated internal project manager coordinates 7 work stream leads with Steering Committee oversight (ref. 1.1); (2) Credit Suisse provides construction oversight; Knight Frank provides operational oversight (ref. 1.1). IT: (1) Key IT systems/applications managed by a US-based service provider with high availability and disaster recovery capacity as of Q4 2016 (refs. 1.2.b 1.2.d); (2) Enterprise Architecture Board operational (ref. 1.2.a); (3) Data Protection Policy developed in Q4 2016 in force (ref. 1.2.c); (4) Roadmap for ISO 27001 certification (refs. 1.2.b-c); (5) Security awareness training rolled out to IT Team (ref. 1.2.c). (3) Sourcing: Ongoing improvements in procurement regulations and processes (ref. 1.3).	Ongoing Health Campus: (1) Continued engagement with GAVI - MoU being developed to formalize Health Campus partnership; (2) Increased frequency of Steering Committee Meetings (2x / month for Global Fund and 1x / month joint GAVI-Global Fund) and monthly informational updates to the Management Executive Committee; (3) Discussions with the current landlord on the state of dilapidation required for the handover; (4) Mock-up of data center being developed off-site; (5) Outsource deliverables where in-house resources are scarce; (6) Prioritization of relocation-ability impacting risks (62% of identified risks). IT: (1) Rollout of mandatory security awareness training to all staff via iLearn; (2) Remediation action plan to address Active Directory Security Audit findings. Planned Health Campus: Steering Committee decision on phased or staggered move. IT: (1) Development of an Implementer Partner Engagement Plan; (2) Decommission legacy systems, e.g., Grant Management System (GMS). Sourcing: Rollout of training / briefing sessions for Secretariat staff.		Timelines Q3-Q4 2017 (1-6) Q3-Q4 2017 Q3 2017 Q3 2017 Q3/Q4 2017 Q3/Q4 2017	
5. Additional Actions Needed					
Health Campus: Increasing the frequency of Steering Committee meetings to ensure both timely decision-making and follow-up and ongoing monitoring of issues surrounding operational and process management. IT: Execution of plans to address key findings from the recent ISO 27001 gap analysis and Microsoft Active Directory Security Audit it commissioned by IT that reflect an increased level of residual risk.					
3. Assurances					
(1) Credit Suisse; (2) Knight Frank; (3) ISO 27001 Certification.					

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

13. Integrated Processes, Systems and Tools				Residual Risk ¹	Risk Appetite ²
Risk Owner: GMD	IRT Category: N/A	Direction of Travel: 	Reduced to "Moderate" from "High" in last quarter		
Risk Description Lack of integrated processes, systems and tools at the Secretariat.				Target Risk ²	GF Ability to Mitigate
Risk Impact Weaknesses in grant and risk management, high transaction costs and weakened internal controls.					
Key Countries/Components					
N/A					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Inadequate data systems; (2) Lack of data integration; (3) Poorly defined and monitored internal controls.	(1) Accelerated Integration Management (AIM) project working to integrate and align grant management processes, data and systems, including embedding controls. AIM Releases 1, 2, 3 and 4a and 4b have been completed. This has resulted in: - Visualization of core grant information, programmatic and grant requirements data, integration of differentiation categories and reporting requirements and pre-filling and importing of Progress Updates into and out of Grant Operating System (GOS) - PR Reporting functionalities (generation of Progress Update/Disbursement Requests and pre-populating expenditure budget and forecast budget information) - Grant making, grant revision, funding request and master data functionality to create and revise core grant documents, manage Technical Review Panel/Grant Approvals Committee issues, and add new entities in GOS, such as PRs; - Additional functionalities for grant making, funding requests, grant implementation, master data functionality and workflow enhancements (refs. 1.1-3);	Ongoing Strategic Initiative (1) Next AIM Next project releases under development.		Timelines	Q3-Q4 2017
		Planned Strategic Initiative (1) Annual Funding Decisions and Disbursements to be released by September 2017. It will allow for the calculation of annual funding decision, disbursement schedule, performance summary, controls and approvals of the funding decision process, and integration between GOS and the Global Fund System (GFS).		Q4 2017	
		Other Development of the Integrated Risk Tool and integration of risk management across the grant lifecycle - a Request for Proposals to contract developers of the tool is in process, with a revised completion date of December 2017.		Dec. 2017	
3. Assurances		5. Additional Actions Needed			
	(2) Migration of all grants that will have active implementation in 2017 to GOS (ref. 1.2).				

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

14. Risk Management and Internal Controls				Residual Risk ¹	Risk Appetite ²
Risk Owner: Risk	IRT Category: N/A	Direction of Travel: 	No change since last quarter		
Risk Description Weaknesses in identification of key risks, corresponding controls, assessment of impact, and prioritization and monitoring of mitigating actions.				Target Risk ²	GF Ability to Mitigate
Risk Impact Divergent understanding of risks leading to ambiguity in accepting or mitigating risks, and inconsistency in risk responses across Global Fund teams and individuals. There is also insufficient communication around risk, reactive reporting on risk events by the Secretariat and friction at the Board level when risks materialize. Ultimately this results in grants not meeting their objectives, financial mismanagement, and decreased programmatic impact to combat the three diseases.					
Key Countries/Components					
N/A					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Risk Framework and Policy not embedded into operations; (2) Lack of clear accountabilities across the first two lines of defense; (3) Uneven review of & decision-making on grant facing and internal risks; (4) Lack/non-use of standardized risk tools and approaches; (5) Inadequate assurance mechanisms; (6) Lack of process documentation.	(1) Risk Engagement model for grant management agreed upon, documented as an Operational Policy Note and rolled out in a phased manner across High Impact and Core Countries, clarifying the roles and responsibilities of the first and second lines of defense (refs. 1.1-2); (2) 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 (ref 1.3); (3) Operational Risk Committee driving greater focus on prioritized countries, key risks and mitigations linked to objectives and acceptance of risk (refs 1.1, 1.3); (4) Integrated Risk Tool designed to facilitate improved and streamlined risk identification/planning of mitigations and follow up (ref. 1.4); (5) Risk & Assurance planning and execution roll-out continues, with expected coverage of all High Impact & Risk portfolios in 2018 (ref. 1.5).	Ongoing (1) Ongoing risk oversight of funding requests, grant-making & approvals (84 components covered in Windows 1 & 2); (2) Roll-out and embedding of Risk & Assurance Planning Methodology into GMD continues (19 plans validated & 11 to be completed by October 2017); (3) Work on advancing risk appetite ongoing with initial focus on grant-related operational risks: presentation of refined and indicative risk appetite statements to the Audit and Finance Committee; (4) 8 key business process reviews leveraging the COSO internal control framework ongoing; (5) Approved Accountability Framework being rolled out in the Secretariat; (6) Ongoing reduction in long overdue Agreed Management Actions led by GMD, FISA and Risk; (7) Roll out and updating of a restructured Organizational Risk Register. Planned Strategic Initiative(s) Integrated Risk Tool to be rolled-out per revised 2017 Accelerated Integration Management (AIM) project timelines; Other (1) Expanded assurance options available to Country Teams; (2) Improvements to aggregate risk reporting of key organizational risks; (3) Build-out of internal control environment through compliance and monitoring function; (4) Operationalization of Risk Appetite-based decision making.		Timelines Q3/Q4 2017 (1-7) Q4 2017 Q3/Q4 2017 Q1 2018 Q2 2018 Q2 2018	
3. Assurances	(1) Organizational Risk Register; (2) Integrated Risk Tool (forthcoming).	5. Additional Actions Needed			

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

15. Foreign Exchange				Residual Risk ¹	Risk Appetite ²
Risk Owner: FISA	IRT Category: N/A	Direction of Travel: 	No change since last quarter		
Risk Description Foreign exchange volatility tied to net FX exposures faced by TGF.				Target Risk ²	GF Ability to Mitigate
					
Key Countries/Components					
N/A					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Foreign Exchange (Fx) market volatility; (2) Assets and Liabilities Management (ALM) changes (i.e. donor pledges or grant commitment changes leading to different FX exposures); (3) Internal operational risk: - Poor Fx limit management (Fx Policy) - Poor Fx execution - Model risk.	(1) All new contribution agreements are consistently hedged with close monitoring of the Fx "legacy" risk and related market entry strategy (ref. 1.1); (2) Global Fx Management Framework approved by the Audit and Finance Committee allows for hedging off-balance sheet exposures (i.e. mostly pledges) (ref. 1.2); (3) Treasury, Cash and FX Management Procedure updated 2 May 2017 (ref. 1.3). (4) Conservative Fx limit established that reflects risk appetite. Exposure is within the Fx limit.	Ongoing (1) Regular update to AFC on hedging and legacy position; (2) Fx risk has decreased since the end of December, with net exposures being reduced through additional hedging (VaR to VaR limit ratio moved from 111.5% at the end of Q4 2016 to 65.4% at the end of Q1 2017; current VaR stands at US \$12.5 m). Planned (1) Implementation of multi-currency disbursements addressing in country Fx risks (as approved by the AFC).		Timelines 2017-2022 (1-2) TBC	
3. Assurances	(1) Treasury Dashboard; (2) Quarterly reporting to the Audit and Finance Committee (AFC).	5. Additional Actions Needed			
		Integration of ALM and investment strategy into treasury procedure.			
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board					

16. Governance and Oversight				Residual Risk ¹	Risk Appetite ²
Risk Owner: OBA	IRT Category: N/A	Direction of Travel: 	No change since last quarter	High end of moderate 	
Risk Description Failure to adequately respond to identified weaknesses in governance mechanisms, prioritize key issues, focus on practical outcomes and preserve insitutional memory.				Target Risk ²	GF Ability to Mitigate
					
Key Countries/Components					
N/A					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Board structure and composition misaligned with the changing environment in which the Global Fund operates; (2) Inadequate framework for managing Board-related conflicts of interest; (3) Inadequate link between the Board agenda and strategic objectives and/or the core Board functions; (4) Board papers not focused on information required by the Board for decision making or strategic input; (5) Unclear process and parameters for the Board, its leadership, Coordinating Group and Committees in managing cross cutting issues; (6) Board unable to leverage work done at Committee level; (7) Weaknesses in structures and processes that underpin the efficiency and effectiveness of the Board's operations; (8) Misalignment of Board dynamics to its work and the organizational context.	(3) Performance assessments performed annually for governance bodies (refs. 1.4-6); (4) Standardized onboarding program for new Board and committee members (ref 1.1); (5) Board leadership ToRs revised based on EGC recommendations (ref. 1.5); (8) Risk Management now a standing item on Board and committee agendas (refs 1.1-8).	Ongoing (1) EGC executing detailed work plan covering critical governance and ethics work streams; (2) Ongoing operationalization of Board governance reforms to increase Board and committee efficiency; (3) Further enhancements of the standardized onboarding program to cover Board processes and expectations of Board Members; (4) Updated constituency guidelines being developed to provide minimum standards for Board constituencies in key governance areas; (5) EGC revision of lessons learnt from the new process to appoint the Board Leadership and ongoing ED selection process; (6) Implementation of the enhanced governance structure approved by the Board in Jan 2016. (7) CG efforts to better coordinate cross-cutting issues and shape Board agendas; (8) Secretariat developing a draft Governance and Legal Framework document arising out of the MEC-approved Accountability Framework.		Timelines Q3-Q4 2017 (1-8)	
3. Assurances		5. Additional Actions Needed			
		Clear pathway to address how to welcome new donors within the GF governance structure to support resource mobilization efforts.			

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

18. Ethics				Residual Risk ¹	Risk Appetite ²
Risk Owner: Ethics	IRT Category: N/A	Direction of Travel: 	No change since last quarter		
Risk Description Current or potential organizational beliefs, practices, or conduct that are in contravention of Global Fund Values, Codes of Conduct or applicable policies.				Target Risk ²	GF Ability to Mitigate
					
Key Countries/Components					
Ethics risks manifest themselves at three levels: 1) Board oversight; 2) Secretariat operations; and 3) Country-level activities. Appropriate metrics at each level can inform risk levels and appetite.					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Inappropriate "tone from the top"; (2) People management weaknesses; (3) HR performance issues; (4) Conflicts of interest.	Entity Level (1) Ethics & Integrity Framework; (2) Ethics Policy including Conflict of Interest in place (ref. 1.4); (3) Codes of Conduct in place for grant recipients, suppliers, LFAs and Board (refs. 1.1, 1.4); (4) Code of Conduct for governance officials (ref.1.1); (5) Updated Code of Conduct for GF staff (refs. 1.2, 1.3); Process Level (1) Conflict of Interest reviews (ref. 1.4); (2) Ethics case management (refs 1.1-4); (3) Integrity Due Diligence (forthcoming) (refs. 1.1, 1.4); (4) "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 (refs 1.2-4)	Ongoing (1) Anti-Corruption Policy will create consistent and enforceable definitions of prohibited practices, set prioritization, and clarify responsibilities for anticorruption; (2) Anti-Corruption Framework will set groundwork for corruption risk assessment; (3) Trainings on ethical conduct for staff and engagement with managers on weaknesses in staff engagement survey; (4) New Code of Conduct for CCMs with performance based enforcement mechanism. Planned (1) Ethics Office to update and strengthen remaining ethics and conduct codes and policies to create mutual consistency; (2) Roll out of the Integrity Due Diligence project for development of an IDD policy and framework; (3) Enhancement of CoI management process. (4) Implementation of Standard Operating Procedures for Ethics case management following the COSO review by the Risk Function		Timelines Q4 2017 (1-4) Q4 2017 (1-3) Q4 2018	
3. Assurances	(1) 2nd Line Compliance monitoring (see Box 5); (2) 3rd Line OIG audit/investigation and annual reports.	Aggregate Monitoring (1) Ombudsman reports (refs 1.1-4); (2) Staff Engagement Surveys (refs. 1.1-4); (3) OIG Whistleblower reporting (refs. 1.1-4)		5. Additional Actions Needed (1) Compliance Function to be defined and operationalized, to include compliance monitoring; (2) Explicit Ethics risk appetite to be articulated.	
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board					

19. Staff Health				Residual Risk ¹	Risk Appetite ²
Risk Owner: HR	IRT Category: N/A	Direction of Travel: 	No change since last quarter		
Risk Description 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.				Target Risk ²	GF Ability to Mitigate
					
Key Countries/Components					
N/A					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Lack of proper planning; (2) Ambitious annual plans; (3) People management weaknesses; (4) Lack of resilience; (5) Budgetary constraints.	(1) 2016 Staff Engagement and Manager Survey conducted, outcome discussed by MEC and shared with staff (refs. 1.1-2); (2) Activities: Team resilience training for people managers; Staff Counselor Guides developed about wellbeing; Mindfulness course open to all staff; Lunch-time sessions by Staff Counselor; Staff Geneva Marathon group (refs. 1.3-4); (3) Wellness Weeks program (ref. 1.1); (4) Partner Onboarding & Transitioning to Retirement training programs (ref.1.1); (5) Occupational Health Advisor facilitating return to work in cases of long-term absence. (ref. 1.3)	Ongoing Strategic Initiative(s) Quarterly sessions for Heads of Department and Regional managers commenced with focus on employee and team wellness – first session held on 12 April focusing on supporting employees absent for health reasons; booklet for managers developed and shared with all managers. Planned Strategic Initiative(s) Roll-out of awareness raising and related trainings on ethics and integrity as part of new culture project. Other Manager training on team resilience planned (1 of 4 standard foundational management development courses).		  	Timelines 2017-2018 Q3 2017 Q3 2017
3. Assurances	5. Additional Actions Needed				
(1) Ombudsman; (2) Staff Council.	(1) The risk description and root cause will need to be redefined as part of the next review in light of the better quality and quantity of information that HR has been able to collect. (2) The first review highlights that the staff health issues are not wide-spread throughout the organization but targeted in certain areas. Lack of proper planning, ambitious annual plans and people management weaknesses and lack of resilience have been identified as causes				
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board					

20. Future Funding				Residual Risk ¹	Risk Appetite ²
Risk Owner: ER	IRT Category: N/A	Direction of Travel: 	No change since last quarter		
Risk Description Inability to convert 5th replenishment pledges and to build a strong base for 6th replenishment due to loss of donor confidence, major reputational damage, or external factors outside of Global Fund control.				Target Risk ²	GF Ability to Mitigate
Risk Impact Inability to honor grant commitments so as to meet Global Fund Strategy targets in fighting the three diseases.					
Key Countries/Components					
1 <i>United States</i>	6 <i>European Commission</i>	11 <i>Netherlands</i>	Top 15 donors to the Global Fund		
2 <i>France</i>	7 <i>Canada</i>	12 <i>Norway</i>			
3 <i>United Kingdom</i>	8 <i>BMGF</i>	13 <i>Spain</i>			
4 <i>Germany</i>	9 <i>Sweden</i>	14 <i>Australia</i>			
5 <i>Japan</i>	10 <i>Italy</i>	15 <i>Denmark</i>			
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Global socio-political events and trends (e.g., migration, nationalism) that significantly affect the donor funding landscape shifting financial resources away from investments in global health; (2) An increasingly populated environment with a number of organizations working in similar spheres competing for the same resources; (3) Failure to meet donor expectations/criteria/conditions for continued funding.	(1) Replenishment Strategy executed successfully, yielding US\$ 12.9 billion in pledges for 2017-2019, with majority of top 15 donors maintaining/increasing their pledge and the doubling of (non-BMGF) private sector pledges (ref. 1.1); (2) Ongoing monitoring of budgetary processes and mobilization of political and civil society advocacy partners as well as high-level influencers, particularly where pledge conversion is at risk or where opportunities for an increased pledge has been identified (ref.1.2); (3) Ongoing engagement with public donors at the technical level to ensure GF fulfills donor requirements and aligns with donor priorities, and to inform development of a strong investment case for future funding to GF (ref. 1.3).	Ongoing (1) Closer monitoring of political transitions & building strong cross-party support for GF in key donor countries to address increasingly challenging political landscape. In addition to the US, other political transitions in 2017 bearing monitoring: Netherlands (March parliamentary elections), France (May presidential & June parliamentary elections), Norway and Germany (Sept), Republic of Korea and Italy (TBC); (2) Good progress in negotiations and signing of 5th Replenishment contribution agreements, including shifting towards bilateral, multi-year agreements; (3) Continued efforts to diversify and expand GF donor base in line with Resource Mobilization Action Plan, which aims to mobilize up to \$500M for the current period: acceleration of private sector resource mobilization and exploration of innovative financing mechanisms; review of Board composition to accommodate non-traditional (non-OECD DAC donors); more systematic engagement with smaller/returning OECD-DAC donors.		  	Timelines Q4 2017 Q4 2017 Q3 2017
3. Assurances		Planned (1) Efforts to sustain and expand advocacy support base, including measures to decrease dependence of Civil Society advocacy partners on external funders (in context of 2018 Opex discussions); (2) Development of Investment Case, proposals for hosting arrangements for 6th replenishment milestones and engagement of high-level champions.		2018-19 2018-19	
(1) Donor Government budgets reflect commitments to GF; (2) KPI reporting; (3) Positive outcomes of donor reviews/evaluations (for e.g. overall positive outcomes of the UK Multilateral Development Review, Multilateral Organization Performance Assessment Network review and Australian Department of Foreign Affairs and Trade review).		5. Additional Actions Needed US, France, Japan, Belgium: Additional mitigating measures to maintain GF pledge in context of broader cuts to ODA.			

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

21. Privileges and Immunities				Residual Risk ¹	Risk Appetite ²
Risk Owner: Legal	IRT Category: N/A	Direction of Travel: 	No change since last quarter		
Risk Description Absence of Privileges and Immunities (P&Is) exposes the Global Fund to compliance obligations and costs as well as regulatory and judicial processes under various national laws, and its assets to enforcement measures.				Target Risk ²	GF Ability to Mitigate
					
Risk Impact 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; (e) protect Global Fund data and information assets; and (f) conduct recovery efforts.					
Key Countries/Components					
P&I Agreement: 15 signed, of these 8 have ratified the P&I Agreement; 2 further ratifications required for entry into force of the P&I Agreement.					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Difficulty to understand the particular legal status of the Global Fund; (2) Limited appreciation of the legal risks and costs arising from the absence of P&Is; (3) Difficulty in identifying key country stakeholders to make progress.	(1) Execution of P&I Strategy approved by Board Leadership; (2) Privileges and Immunities Advisory Group (PIAG) involved in high-level advocacy, leveraging diplomatic and political networks; (3) Framework Agreement signed by 78 countries as of August 2017, with provision that host country grantee shall take all appropriate and necessary actions to ensure that the Global Fund is accorded with privileges and immunities within 3 years of the effective date of the Framework Agreement. (ref. 1.1-3 for all)	Ongoing (1) The Global Fund has been granted privileges and immunities under the domestic laws of four countries. In addition, fifteen countries have now signed the P&I Agreement; of these, eight have ratified accepted or otherwise approved the P&I Agreement. (2) Interim General Counsel joined Global Fund 1 June 2017. (3) Focus on achieving 2 additional ratifications required for P&I Agreement entry into force.			Timelines Q2 2017 (1-3) Q3/Q4 2017
3. Assurances					
Signed and ratified country-specific P&I agreements.		5. Additional Actions Needed			
		(1) 2 further ratifications needed for entry into force of the P&I Agreement. (2) Additional countries to sign and ratify P&I Agreement. (3) Legal risk analysis at the outset of Secretariat proposals, projects and initiatives.			
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board					

22. Reputation				Residual Risk ¹	Risk Appetite ²
Risk Owner: OED	IRT Category: N/A	Direction of Travel: 	No change since last quarter		
Risk Description Organizational inefficiencies, poor governance and oversight, performance issues or serious internal control weaknesses can inflict reputational harm on the Global Fund. Misleading or disproportionately negative media coverage of misuse of funds or other inappropriate activities can amplify reputational harm.				Target Risk ²	GF Ability to Mitigate
					
Risk Impact Reputational damage leading to potential loss of future donor funding and ability to achieve impact against the three diseases.					
Key Countries/Components					
N/A					
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:	  
(1) Political factors can generate misleading news coverage; (2) Complexity of global health operations prevent simple interpretation and allow misinterpretation; (3) OIG reports that identify misuse of funds; (4) Performance issues or internal control weaknesses	(1) Proactive identification of potential issues by country teams and senior management (ref.1.1); (2) Focus on key organizational risks by Enterprise Risk Committee (refs. 1.1-2); (3) Proactive, agile communications strategy by Communications Department. (refs. 1.1-4).	Ongoing (1) Strengthened risk management and oversight for High Impact and Risk portfolios including COEs; (2) Ethics review and operationalization of ethics related policies and codes of conduct, including Integrity Due Diligence. Planned Strengthening and operationalizing ethics controls and culture		Timelines Q3 2017 (1&2) Q3/Q4 2017	
3. Assurances		5. Additional Actions Needed			
(1) Country Teams reports; (2) Risk Department reviews; (3) Communications Department.		(1) Heightened awareness of this risk across the Secretariat; (2) Reputational risk will continue to materialize at various levels over time and will need to be managed accordingly.			
¹ Residual Risk level may change as we do additional bottom up work; ² Risk Appetite and Target Risk level will be filled in after approval by the Board					

38th Board Meeting

Prioritized Action Plan Update

For Board Information

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

Prioritized Action Plan

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

Summary of August update



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

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

Since last progress update: 7 deliverables completed, 1 delayed

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

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

➤ See following slide for detailed rationale for delayed deliverable

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

Rationale for 1 deliverable delayed at end August 2017

Deliverables that are delayed or for which scope has changed

Project / Initiative	Rationale and revised timelines
Co-Link: Strengthening Financial Management Capacity	<ul style="list-style-type: none">• Extensive consultation and incorporation of stakeholder comments received in validating the Financial Management Handbook has delayed presentation of the final deliverable by six months.• Originally due in March 2017, the handbook is now expected to be published by end September 2017, allowing time for final quality assurance review.

3 deliverables due for completion by end Q3 2017

Out of a total of 17 remaining PAP deliverables

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline
Co-Link: Strengthening Finance Management Capacity	Develop the financial management handbook for implementers outlining the minimum standards required for grant implementation	EGMC Approved financial management handbook published on the Global Fund website and circulated to Principal Recipients	Sep-17
Supply Chain Optimization	Roll out in selected country	Assurance providers selected	Sep-17
Accelerated Integration Management (AIM)	Align the risk management and assurance processes, integrate existing risk management tools (QUART, CAT), and link with a centralized repository for ongoing tracking of risk mitigation actions within the new operating system.	Risk management solution, which can be updated on a real-time basis, and integrated in the decision-making processes within the grant management cycle.	Sep-17

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

9 deliverables due for completion by end Q4 2017

Out of a total of 17 remaining PAP deliverables

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline
Supply Chain Optimization	Diagnostic finalized for 5 other countries	Diagnostic document	Dec-17
Supply Chain Optimization	Diagnostic finalized for 7-12 new countries	Diagnostic document	Dec-17
Co-Link: Strengthening Finance Management Capacity	Joint financial management assessments in 3 countries promoting harmonization and use of country systems in partnerships with IHP+ and other Development Partners.	Consolidated cost country action plans to address financial management gaps with clear roles and responsibilities	Dec-17
Co-Link: Strengthening Finance Management Capacity	Facilitate the reconfiguration and roll-out of pre-packaged accounting software with critical functionalities for accounting, budget monitoring and reporting	Optimized Tom2Pro through an innovative partnership with the software developer for 10 (3 pilots + 7) francophone countries	Dec-17
Co-Link: Strengthening Finance Management Capacity	Finalize financial management improvement projects on people, processes and systems targeting at least 10 countries	Visible improvement in financial management practices, internal controls and reporting in 10 countries	Dec-17
Strategy Planning and Implementation	Develop 2018 and 2019 activity and work plan by operational objective (2018 work Plan)	Approved 2018 activity & work plan for each SO linked to the implementation KPIs and thematic reporting	Dec-17
Assurance	Roll out assurance planning in phased manner (Q2 2017 – 12)	Completed Key Risk Matrix Assurance Assessment	Oct-17
Assurance	Roll out assurance planning in phased manner (Q4 2017 – 12)	Completed Key Risk Matrix Assurance Assessment	Dec-17
Strengthening Internal Controls of Key Processes & Risk Oversight	Perform risk and control review and strengthen internal control design of remaining 8 core processes.	Internal controls for updated procurement, grant management and remaining core processes strengthened and formalized	Dec-17

5 deliverables ongoing, due for completion in 2018

Out of a total of 17 remaining PAP deliverables

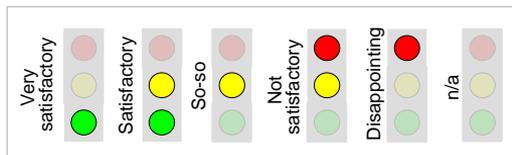
Action Type	Task	Deliverable/Action/Milestone	Latest Deadline
Project Management	Develop reporting standards and report project status against critical success factors	Quarterly Project Coordinating meetings and quarterly reporting to MEC	Ongoing
Strategy Planning and Implementation	Develop 2018 and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

APPENDIX

Deliverables Update Report

Current status of key initiatives

Indicator



Bold: delivered during July & August

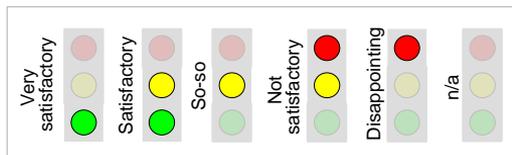
Light Grey: delivered before July

<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 August 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 • Approved Roles and Responsibilities Matrix 	<p>End of August 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 August 2017</p>

Deliverables Update Report

Current status of key initiatives

Indicator



Bold: delivered during July & August

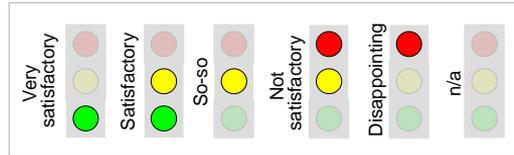
Light Grey: delivered before July

<p>Procurement and Supply Chain Improvement</p>		<ul style="list-style-type: none"> All core health categories, and freight and logistics services for distribution of health products All PRs currently using PPM channel their orders via wambo.org, no offline PPM transactions 	<p>End of August 2017</p>
<p>Accelerated Integration Management (AIM)</p>		<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 	<p>End of August 2017</p>

Deliverables Update Report

Current status of key initiatives

Indicator



Bold: delivered during July & August

Light Grey: delivered before July

Supply Chain Optimization



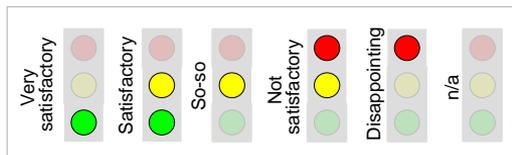
- Document of network design
- Agreement from countries to participate
- Request for Proposal for support to carry out project
- LMIS installed and ready for inspection
- Report to evaluate and assess the current state of the strategy
- Diagnostic document for 3 countries
- Review of key assurance needs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

End of August 2017

Deliverables Update Report

Current status of key initiatives

Indicator



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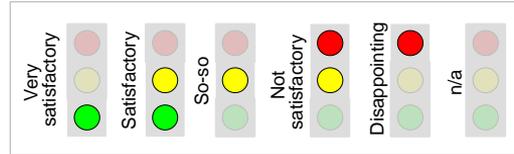
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Program and Data Quality		<ul style="list-style-type: none"> Rollout GF Strategy for Program and Data Quality Improvement 	End of August 2017
Financial Management Capacity (Co-Link)		<ul style="list-style-type: none"> Approved Roadmap and project structure EGMC Approved guidelines for grant budgeting published on the Global Fund website and circulated to Principal Recipients Harmonized and Integrated financial management service within a single unit for Global Fund and & other donors funding in a country 	End of August 2017
Country Presence Model		<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 August 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 August 2017

Deliverables Update Report

Current status of key initiatives

Indicator



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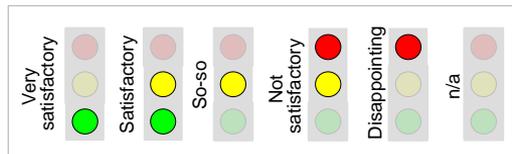
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<p>Assurance Practices</p>	<p>● ● ●</p>	<ul style="list-style-type: none"> Completed Key Risk Matrix per each country Assurance Assessment per each country OPN/Guidance Note Staff Training Module Completed Key Risk Matrix Assurance Assessment List 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 Completed Key Risk Matrix per each country Assurance Assessment per each country 	<p>End of August 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 organization 	<p>End of August 2017</p>

Deliverables Update Report

Current status of key initiatives

Indicator



Bold: delivered during July & August

Light Grey: delivered before July

<h3>Risk Management Engagement</h3>		<ul style="list-style-type: none"> Integration of risk's management team's view in grant management decision making processes. Revised criteria, country list and updated Country Risk Dashboard Minutes of the ORC with key decision points “Operational Plan on Risk Department Engagement Model vis-à-vis Grant Management” shared with GMD and Senior Management Complete and consulted OPN approved by EGMC ERC Minutes Risk Report together with latest Corporate Risk Register submitted to the Board Country Risk Dashboard Controls Database 	<p>End of August 2017</p>
<h3>Project Management</h3>		<ul style="list-style-type: none"> 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 	<p>End of August 2017</p>

Reminder: progress on deliverables reprioritized at end May 2017

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

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