

39th Board Meeting

Risk Management Report and Annual Opinion

GF/B39/23

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Board Information

PURPOSE: To provide the Board with an updated report on Risk Management and the Annual Opinion of the Chief Risk Officer.

I. Executive Summary:

1. Context

- 1.1 The Global Fund supports programs to fight HIV/AIDS, tuberculosis and malaria across the globe and often in countries where health structures may be weak or non-existent. In such contexts, political and socio-economic factors also contribute to high risk environments.
- 1.2 In order to meet its mission and the myriad of challenges inherent in ending the epidemics, the Global Fund partnership must continue to be ambitious and innovative in the scale and complexity of its interventions. This inevitably means increased operational risk over sustained periods of time. Ensuring these risks deliver the necessary rewards demands effective risk management underpinned by a strong risk culture.

2. Areas this paper addresses

- 2.1. Over the past few years, the Global Fund has been deliberate in focusing its efforts in relation to risk management and mitigation. This has yielded positive results with some improvement being seen in certain areas and a positive direction of travel in others, particularly in areas where the Global Fund is able to exercise greater control. Over this period and especially in 2017, the level of risk related to Grant Related Fraud & Fiduciary, Procurement, and Quality of Health Products risks has reduced from 'High' to 'Moderate'. These risks were prioritized because the organization's de-facto appetite for these risks was low and the mitigating measures were largely within the Secretariat's control. Progress has also been seen in relation to Strategic Data Quality & Availability, Accounting & Financial Reporting by Countries, Integrated Processes, Systems & Tools, and Risk Management & Internal Controls, which are all showing a positive direction of travel. The organization's focus is now expanding to prioritize other high risk areas such as Program Quality and In-Country Supply Chain. However, these are systemic risks over which the Global Fund has limited influence and will require significant resources, support from in-country partners and political will from implementers to achieve the desired results.
- 2.2. Key risks focused on impact, which are now being prioritized, and the Global Fund's progress in advancing its maturity level to ensure they are more effectively managed, are discussed in more detail in subsequent sections.
- 2.3. The areas covered by this Risk Management Report are:
 - a) Changes in the external environment and evolving stakeholder expectations on the risk profile: While external volatility has decreased since early 2017, there remains potential for changes in stakehold
 - b) er priorities and development assistance budgets. This presents potential funding and reputational risks to the organization.
 - c) Key thematic enterprise-wide risks focusing on impact, including Program Quality, In-country Supply Chain, Human Rights & Gender Inequality, Transition, and Drug & Insecticide Resistance. Effective management of these risks, which extend beyond the organization itself, is critical to the success of the Global Fund's investments. Progress is being made, particularly in areas where the Global Fund has greater control over mitigating measures. The organization's focus is now expanding to more systemic risks.
 - d) Progress in advancing the maturity of risk management and internal controls: Notable progress was made in advancing the Global Fund's maturity level in 2017. However, more work remains to reach an 'Embedded' state. While this target is ambitious it is considered achievable, subject

to satisfactory completion of a number of key activities not all of which are directly within the Secretariat's control. These include the Board's decision to approve the Risk Appetite Framework and specific improvements in governance.

- e) Status update on the Prioritized Action Plan: 92% of all actions are now complete and only 10 deliverables are outstanding.
- f) Chief Risk Officer's Annual Opinion on the Global Fund's maturity level and risk profile: The Chief Risk Officer's (CRO) view is that the risk profile is stable to slightly improving and that positive progress has been made in advancing the organization's maturity level.

3. Conclusions

- 3.1. The risk profile of the organization was relatively stable in 2017 but with some improvement seen in relation to certain key risks and a positive direction of travel in other areas. As the organization increasingly focuses on systemic in-country risks, including program quality and in-country supply chain, mitigating measures will inevitably have longer lead times both in terms of implementation and realization of benefits.
- 3.2. The Secretariat has also continued to make good progress in advancing the level of maturity of risk management, internal controls and governance. The view shared by the Secretariat's senior management team, including the CRO, is that the organization's maturity level has moved closer to 'Embedded' and that this state can be achieved by the end of 2018. It is also recognized that significant and sustained effort will be required to achieve this stretch target.
- 3.3. Despite the progress being made, it is nevertheless essential that momentum is sustained. Establishing a stronger risk culture is an important enabler in ensuring the Global Fund is able to deliver on its 2017-2022 Strategy. Continued support from the Board, Committees and Executive Management will remain key.

4. Input Sought

- 4.1. This paper constitutes the Secretariat's semi-annual update on risk management and CRO's Annual Opinion of the risk profile of the organization, provided for the Board's information.

5. Input Received

- 5.1. This report has been shared with all three Board committees.

II. Risk Report

6. Introduction

- 6.1. The Global Fund supports programs to fight HIV/AIDS, tuberculosis and malaria across the globe and often in countries where health structures may be weak or non-existent. In such contexts, political and socio-economic factors also contribute to high risk environments. Despite the inherent risks involved, the Global Fund continues to invest successfully in programs that help make critical prevention, treatment and care services available to beneficiaries and end the public health threat posed by the three diseases.
- 6.2. To deliver on its mission and address the many challenges inherent in ending the epidemics, the Global Fund partnership must continue to be ambitious and innovative in the scale and complexity of its interventions. This inevitably means increased operational risk over sustained periods of time. Ensuring these risks deliver the necessary rewards demands effective risk management.
- 6.3. Throughout 2016 and 2017, the Global Fund has been focused on integrating risk management within the fabric of its key business processes and partnerships, building increasingly mature processes and controls in order to proactively respond to and manage its risks. However, there is still progress to be made before risk management and internal controls can be said to be fully 'Embedded' across the grant life cycle and Global Fund processes.
- 6.4. The Board's leadership and guidance continues to be key in helping the Secretariat to successfully navigate its evolution in this area, execute the transformative initiatives necessary to establish a strong risk culture, and support the delivery of the 2017-2022 Strategy.

7. Changes in the External Environment and Evolving Stakeholder Expectations

- 7.1. The unpredictability of the geopolitical landscape continued in 2017, presenting risk to future funding and driving uncertainty in relation to the conversion of existing pledges and the success of the Fifth Replenishment. Since the start of 2017, risk in the external environment has subsided slightly. Election results have been better than expected in certain constituencies and threatened cuts to aid have so far not significantly affected the Global Fund. Over 2017, the vast majority of public donors signed multi-year contribution agreements with the Global Fund, enabling the conversion of pledges into contributions. Nevertheless the potential for changes in stakeholder priorities, competing funding requests within the global health sector and beyond, and uncertain donor budgets mean that the Sixth Replenishment will take place against a challenging backdrop and under close scrutiny.
- 7.2. Other external factors that should be highlighted include the refugee crisis affecting the Middle East, North Africa and Europe, which in addition to fueling the populist movement in certain countries and creating potentially competing funding priorities for aid, has had a devastating effect on those affected, with displaced persons particularly vulnerable to the three diseases. Volatility in commodity prices, in particular the price of oil, also continues to represent an ongoing risk, albeit the start of a price recovery in 2017 has provided at least a temporary respite to some implementing countries.
- 7.3. In addition to continuing to deliver excellent results that uphold the Global Fund as a critical partner in the fight against the three diseases, the Secretariat also needs to continue to prioritize effective donor and stakeholder management and maintain its focus on closely monitoring and

managing reputational risks, as the organization works towards ensuring the success of the Sixth Replenishment.

- 7.4. A large part of last year was spent on a high volume of grant-making that has now been successfully completed for a majority of High Impact and Core countries. The observations made by the Technical Review Panel (TRP) in response to funding requests were consistent with the focus of the Global Fund's priorities including the:
- Importance of finding missing cases and reaching key and other high prevalence populations through interventions tailored according to need and through the employment of innovative strategies;
 - Criticality of strengthening data use to enable evidence-based decision making in relation to program design and choice of interventions;
 - Requirements for increased focus on prevention, but balanced against the need for continued treatment programs within the context of a budget constrained environment; and
 - Need for greater focus on sustainability and transition, including more effective monitoring and leveraging of domestic financing, and ensuring early planning for transition.
- 7.5. Continued innovation is critical and by its nature means that the Global Fund partnership will necessarily have to navigate uncharted waters. This in turn has the potential to impact the organization's risk profile, and further underlines the importance for the Global Fund of establishing a Risk Appetite Framework.

8. Key Thematic Enterprise-Wide Risks Focusing on Impact

- 8.1. The key strategic and operational risks facing the organization as it implements its 2017-2022 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. Many of these risks center on issues critical to the Global Fund's success and extend beyond the Secretariat itself. Their mitigation requires consistent measurement and monitoring, allocation of sufficient and proportionate organizational resources, and close collaboration with partners.
- 8.2. The deliberate focus of the Global Fund's efforts in relation to risk management and mitigation has yielded positive results with some improvement being seen in certain areas and a positive direction of travel in others. This is particularly true in areas where the Global Fund is able to exercise greater control. The focus is now expanding to other high risk areas. This report highlights a number of these key risks, from the ORR, that are particularly relevant and timely in 2018, as the Global Fund implements its 2017-2022 Strategy and moves from grant-making into grant implementation for the majority of its grants.

8.3. Program Quality:

- a) "*Program Quality*" continues to represent a 'High' risk for the Global Fund. Key factors driving this risk include insufficient availability and use of data to design programs according to epidemiological context, inadequate course correction following routine reviews of service quality, limited human resource capacity and a lack of adherence to approved guidelines.
- b) Throughout 2017, during funding request development and grant-making, a significant area of focus for the Secretariat was on the dissemination of best practice and normative guidance and on encouraging the adoption of global quality standards to ensure program quality and efficiency is built into grant design. Looking forward, the focus is on ensuring grant design

translates into effective implementation and that the Secretariat is well positioned to be nimble in responding to challenges and the need for course correction. Catalytic funding on finding TB missing cases, cross-programmatic efficiency, human resources for health and integrated service delivery will also help inform future investments and accelerate impact at country level.

- c) Key priorities to help drive up program quality moving forward include:
- Finding missing TB cases through improved laboratory service quality and optimization of diagnostic networks for scale up;
 - Increasing the reach and yield of HIV testing to improve linkage to care, retention and adherence to treatment regimens, with differentiated HIV service delivery a key area of focus, in particular targeting key populations and adolescent girls and young women;
 - Improving the effectiveness of malaria vector control and quality of case management; and
 - Integration of HIV, TB and malaria services through iCCM, ANC/PNC platforms, and working with technical partners and implementers to increase the impact and sustainability of interventions.
- d) Equally, while the focus on the diagnosis and treatment cascades, particularly in the context of HIV and TB, is critical, ending the epidemics also requires effective prevention. This is a difficult balance to strike and requires visibility of the effectiveness of different interventions and where the need is greatest.
- e) In 2017 significant emphasis was placed on strengthening mechanisms for monitoring the impact of the Global Fund's investments at country level and internally. Moving into 2018 this will continue to be a focus. The Secretariat must have visibility of whether interventions are indeed reaching the areas of greatest need and whether the intended outcomes and impact are being achieved, and a platform for evidence-based and responsive decision making. Key channels through which this will be achieved are:
- Strengthened in-country reviews and dialogue for improved engagement with country programs and better understanding of needs at country level;
 - Evolved Operational Risk Committee to create the Portfolio Performance Committee. The Portfolio Performance Committee is responsible for both enterprise and country portfolio reviews to understand and address key risks and critical bottlenecks for achieving program quality;
 - Launch of the Partnership Support Platform, which will help quickly elevate unresolved issues at country level for a timely, strategic and coordinated partner response; and
 - Roll out of the Strategic Framework for Data Use for Action and Improvement, which will ensure measures are in place to evaluate program quality.

8.4. In-country Supply Chain:

- a) "*In-country Supply Chain*" continues to represent a 'High' risk for the Global Fund. This is driven by a combination of factors. Over 40% of grant funding is allocated to health commodities, which represents the Global Fund's single largest area of investment. For this investment to have the intended impact necessarily requires effective in-country supply chains. However, in many of the countries in which the Global Fund invests this is not the reality. Frequently, in-country supply chains are characterized by inadequate data systems and data management, weak infrastructure and inexperienced/insufficient supply chain staff. This leads to stock outs, stock expiration and theft, and ultimately treatment disruption.

- b) In response to this risk, the Global Fund established a dedicated Supply Chain Department in 2016. The department's focus for the first year was on:
- Establishing a Supply Chain Strategy and implementation plan; and
 - Initiating a series of diagnostics in 20 key countries by Q4 2018 (with countries identified based on their commodities budgets and supply chain opportunities).
- c) These are positive steps and a recent change in leadership in the Supply Chain department is not expected to materially impact progress. Moving into 2018, it is important that the implementation of the Supply Chain Strategy gathers momentum and that the pace of diagnostics picks up as the team builds on lessons learned, terms of reference are tightened and vendors become familiar with organizational expectations and operational realities.
- d) Most critical however, and the key focus for the Secretariat in 2018, is that the results of the diagnostics and the implementation of other aspects of the Supply Chain Strategy translate into in-country actions that can deliver tangible benefits. This requires careful prioritization of both initiatives and resources and close collaboration and coordination with countries and partners. It will also inevitably require risk trade-offs as a balance is struck between embarking on long term projects to deliver systemic change at the same time as looking for opportunities to deliver quick-wins within the current grant life cycle.

8.5. Drug & Insecticide Resistance:

- a) The risk posed by “*Drug & Insecticide Resistance*” is well recognized, is not abating and consequently continues to represent a ‘High’ risk to the Global Fund’s mission and its fight against the three diseases. The Global Fund and its partners have only partial ability to influence and mitigate this risk. Nevertheless, the Global Fund has a key role to play in leveraging its leadership position to support programs aimed at tackling Drug & Insecticide Resistance where and when it can. During the previous grant cycle, the Global Fund played a key role investing in programs and interventions designed to address this risk. This is continuing into the new grant cycle. Examples of the different ways in which the Global Fund is or will be supporting efforts to tackle Drug & Insecticide Resistance through grants, advocacy or engagement include:

Tuberculosis

- Grant support for work with local communities to find missing cases;
- Support for the scale-up of new diagnostics for rapid detection of TB/ multidrug-resistant TB (MDR-TB) cases, as well as new MDR-TB drugs;
- Implementation of new WHO guidelines for drug-resistant TB, including short regimens for MDR-TB and new drugs; and
- Roll out of Catalytic Investments including US\$115 million in matching funds designed to support country-led programs; a US\$10 million Strategic Initiative to help technical partners develop tools based on best practices; and a US \$65 million multi-country investment to address cross-border transmission and provide treatment to refugees and internally displaced people.

Malaria

- Grant support for monitoring anti-malarial and insecticide resistance;
- The Regional Artemisinin Resistance (RAI) program, a US\$124 million grant to avert the spread of artemisinin resistance and accelerate elimination of *P. falciparum* vector malaria in the Greater Mekong Subregion;
- Ongoing focus on optimization of vector control interventions;
- US\$33 million in Catalytic Investments allocated for a Strategic Initiative to support market entry of new generation LLINs to mitigate insecticide resistance;

- Advocacy to phase out/prohibit oral artemisinin monotherapies and for the removal of substandard and counterfeit drugs from the market; and
- Collaboration with WHO to support development of national insecticide resistance monitoring and management plans.

HIV

- Contribution to the development of the Global Action Plan (GAP) for HIV drug resistance and support for its implementation through grants, in particular investments in prevention, monitoring and surveillance of HIV drug resistance, and strengthening of lab capacity; and
- Grant support for countries implementing changes in drug policy, including Dolutegravir (DTG)-based ART treatment regimens.

8.6. Human Rights & Gender Inequality:

- a) Human rights and gender-related risks and barriers to health services for key and vulnerable populations continue to represent a 'High' risk for the Global Fund. Key factors driving this risk include limited capacity of implementers to deliver quality, evidence-based and people centered programs; low availability and use of data to inform programming and investment decisions; and uneven capacity of the Global Fund Secretariat on human rights and gender programming. The existence of laws, policies, practices and harmful cultural and gender norms is also a key contributing factor in many countries. Mitigating measures to address these barriers, which the Global Fund has in place, under development or planned include:

- Significant focus on ensuring that the design and implementation of grants are targeting key and vulnerable populations through engagement of technical advisors in grant-making, embedding of gender advisors into GMD, dissemination of technical briefing notes and Challenging Operating Environment (COE) guidance on human rights and gender equality, Secretariat staff training, and incorporation of sex and age disaggregation into performance frameworks (where possible).
- US\$200 million in Catalytic Investments to address four HIV-related priorities: 1) ensuring sustainability of services for key populations through multi-country grants to civil society and community-based organizations; 2) scaling up services for key populations; 3) scaling up programs to reduce human rights related barriers to services in 20 countries; and 4) catalyzing scale up of comprehensive, quality programming to reduce HIV risk and incidence among adolescent girls and young women in 13 countries.
- Signed Partnership agreements for the provision of support to address key coverage gaps for all three diseases, and the development of innovative partnerships with the private sector and others.

- b) Working with partners is critical to ensuring the success of these activities. However, success also requires that there is clear mutual accountability between the Global Fund and technical assistance providers, underpinned by visibility of performance and implementation challenges.

8.7. Transition:

- a) "*Transition*" continues to represent a 'High' risk for the Global Fund. If countries are not adequately prepared to transition from Global Fund financing, this could result in disruption of continuity of essential services (particularly for key and vulnerable populations), the

inability to maintain momentum and progress in service scale up, and a reduction in the availability of essential and quality assured health products (amongst other challenges).

- b) The impact of the 'transition risk' will depend on the size of the Global Fund allocation, the level of dependence of a country on Global Fund financing, and the disease burden profile. Nevertheless, transitions in any context characterized by the above challenges will negatively affect the success of the Global Fund's fight against the three diseases and potentially the organization's reputation.
- c) Despite the 'High' risk, the Global Fund has limited ability to influence post-transition performance. The potential to incentivize countries to maintain or increase program scope, improve the quality of program design and service provision, and address potential transition challenges is greatest prior to transition. Therefore, as the Secretariat continues its drive to manage down this risk by providing countries with better support, its focus is on implementing and tracking specific actions prior to transition. These actions include but are not limited to:
 - Domestic financing and Co-Financing: Encouraging countries to make and realize appropriately targeted co-financing commitments as per the STC policy, including accelerated co-financing of all key interventions supported by the Global Fund;
 - Uptake of core interventions: Encouraging countries preparing for transition to take up key interventions, including interventions supporting key populations, at the same time as maintaining or building on coverage levels; and
 - Transition planning: Supporting countries to clearly identify transition bottlenecks and proactively plan for transition in advance, which may be needed multiple cycles before expected transition from Global Fund financing.

8.7 Governance:

- a) Challenges with governance mechanisms continue to represent a 'Moderate' risk for the Global Fund. This has the potential to impact the Board's decision making and its ability to provide clear strategic direction and promote the inclusivity and stakeholder alignment necessary for the partnership model to work effectively.
- b) Following the OIG Advisory Report, progress has been made in 2017 in strengthening governance processes. The Governance Action Plan (GAP) has been developed by the Ethics and Governance Committee (EGC) to guide Board governance reforms. Looking forward, it is essential that the Board and Committees continue to give due weight and focus to the implementation of the GAP, strategic Committee work planning and translating current and planned initiatives into strengthened decision making. As highlighted in the OIG's 2016 Annual Report this requires a careful balancing act:
 - Structures need to promote both inclusivity and efficiency;
 - Effectiveness requires introducing new perspectives without compromising institutional memory; and
 - Efficiency requires better time management and avoiding information overload.

8.8 Global Health Campus:

The move to the Global Health Campus represents a 'Moderate-high' risk, reflective of the fact that until its successful completion there remains potential for a negative impact on business operations. The move is scheduled to take place in the first three weeks in March staggered across multiple waves. The move is being well managed, with delivery of the minimum necessary support on track. The risk level is, therefore, expected to decrease.

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

9.1. The maturity of risk management, internal controls and governance within the Global Fund has continued to advance against a challenging operational backdrop in 2017, which saw more than 200 grants recommended by the Grant Approvals Committee (GAC) to the Board for approval.

9.2. As highlighted in the CRO's opinion to the Board last year, areas that require continued attention in order to reach the maturity level of 'Embedded' by the end of 2018 include:

- Maintaining momentum in embedding risk management into core processes;
- Strengthening internal controls and monitoring;
- Developing and operationalizing Risk Appetite; and
- Improving governance.

9.3. This section deals with progress in relation to the first three bullet points. Progress in relation to improved governance is covered in section 8.7.

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

In 2016, the Global Fund focused on laying the foundations for embedding risk management through the development of a structured and comprehensive risk engagement model. In 2017, this focus shifted to operationalizing the model and further strengthening the risk and assurance framework, building and aligning processes and tools, and ensuring clarity around roles and responsibilities. Good progress has been made in these areas. Notable achievements include:

- a) Strengthened GAC process through the introduction of a differentiated approach that ensures appropriate targeting of resources proportionate to risk, more structured pre-GAC meetings and roll out of **grant-making risk assessments**. The latter provide GAC with an objective assessment of how the risks identified during country dialogue and in funding requests will be addressed during grant-making and grant implementation.
- b) Scale up of **risk and assurance planning** exercises aligned with the funding cycle. Integrating risk and assurance planning into the grant life cycle will foster the necessary focus on risk identification, management and mitigation from the outset of implementation. While the quality of assurance plans improved during the course of 2017, the focus on programmatic and supply chain assurance was still limited. This was driven by multiple causes including lack of tools, narrow assurance options, and limited use by Country Teams. Progress has been made in the expansion of assurance activities and providers, and provision for technical assistance in relation to quality is being built outside assurance processes. Nevertheless continued monitoring of how quality is delivered at country level is needed. The Secretariat has also developed a new **Risk and Assurance Handbook** to provide Country Teams with a consolidated reference guide on risk and assurance planning. The handbook will facilitate the operationalization of the expanded assurance options, which cover previously identified gaps in relation to programmatic and supply chain assurance, and improve linkage of assurance activities across the four thematic risk categories. Further, monitoring of progress against the planned mitigation and assurance activities will be a key focus in 2018.
- c) Scale up of **Operational Risk Committee** (ORC) reviews, focusing on High Impact countries and COEs. The reviews facilitate Secretariat oversight of risks and planned mitigations in key portfolios and are the primary fora for agreement on operational flexibilities, risk trade-offs and

risk appetite. In Q2 of 2018, ORC reviews will evolve into Portfolio Performance Reviews with an enhanced focus on program outcomes and impact.

- d) Development of the **Integrated Risk Module (IRM)** through AIM. Following some delay, a new solutions provider was contracted in August 2017 to develop the IRM on the Grant Operating System (GOS). This is now complete and the IRM was launched in February 2018. The IRM establishes a structured and streamlined tool for Country Teams to assess the capacity of implementers, capture, track and manage risks and mitigations, and simultaneously increase the accessibility and usability of risk-related data.
- e) Implementation of a range of recommendations from the **Financial Control Environment Review (FCER)** including: the roll-out of financial assurance plans, development of Financial Risk Management Guidelines, development of an Implementer Handbook, and roll-out of revised external audit guidelines (with emphasis on risk-based assessments of implementers' internal controls).
- f) Continued improvement of the **Recoveries process** underpinned by a more rigorous approach to recoveries, improved turnaround times for new cases and improved identification and reporting within the Secretariat. As a result, as of 31 December 2017, the total outstanding recoverable balance (OIG identified), net of written commitments to repay declined to US\$5.3 million. This represents a resolution of 95% of the aggregate recoverable amount. The trend on non-OIG identified recoverables was similar, with the amount declining to US\$11.6 million as of 31 December 2017.

9.5 Strengthening Internal Controls and Monitoring:

- a) Good progress was made in 2017 in relation to strengthening internal controls and monitoring. As at December 2017 all 20 **key business process reviews** had been completed to assess alignment with the 5 components and 17 principles of the COSO Internal Control – Integrated Framework. The reviews highlighted a number of gaps, which are now being worked on.
- b) The Secretariat 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 business processes, which include the 20 key business processes at a sub-process level. However, success will depend on the application of the framework. A priority for 2018 will, therefore, be on monitoring how it is used in practice.
- c) More broadly the focus for 2018 will be on maintaining overall momentum and ensuring the progress made in 2017 translates into sustained improvements in the maturity levels of the Secretariat's systems of internal controls. A key element of this is building up a monitoring and compliance function to 'complete the feedback loop' in a structured manner and realize the full benefits of the numerous process and risk management improvements that have been made over the past few years.

9.6 Developing and Operationalizing Risk Appetite:

- a) Developing a Risk Appetite had been identified as a critical component in advancing the level of maturity of the Global Fund's risk management, internal controls and governance. The Secretariat, through the Risk Department, spent most of 2017 working with the Committees to develop a framework and proposal. The framework is underpinned by a transparent and structured methodology for measuring key risks.

- b) In addition to the Board committees, several other stakeholder groups have been consulted to inform the Risk Appetite framework being presented to the Board for approval in May 2018. These included donors, implementer constituencies, UN partner organizations and bilateral technical assistance partners. The proposal includes proposed Risk Appetite, target risk level and time to reach the target levels, for nine risks that have been selected for Risk Appetite setting.
- c) In order to progress with operationalizing Risk Appetite, the Board's approval is critical. Once operationalized, Risk Appetite will facilitate more consistent and transparent decision making on risk trade-offs. As highlighted earlier in this report, this is going to become increasingly important as the Global Fund necessarily looks to employ more innovative and, therefore, potentially riskier interventions to deliver on its 2017-2022 Strategy, and in allocating resources to reduce risk levels in select areas.
- d) Moving forward, Risk Appetite will be monitored and reported on through the Organizational Risk Register.

10. Status Update on the Prioritized Action Plan

- 10.1 The Prioritized Action Plan (PAP) tracks deliverables on key and often cross-cutting Secretariat-wide initiatives, many of which also serve as the major mitigating actions to risks identified within the ORR.
- 10.2 As at the end of December 2017, 92% of the PAP deliverables due to date have been completed. A total of 10 deliverables remain to be completed.
- 10.3 Going forward, in order to continue the rigorous discipline initiated with the PAP without duplicating reporting to the Committees and the Board, initiatives remaining open at the end of 2017 as well as 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 (SIP).
- 10.4 A detailed progress update on the Plan can be found at Annex 2 but highlights of progress made to date include:
 - a) Completion of **Phase 1 of the Accelerated Integration Management (AIM) Project**. Seven incremental releases for the Grant Operating System (GOS) have introduced a number of critical functionalities for funding requests, grant-making, grant implementation (disbursements and Principal Recipient reporting), grant revision, and master data that are now operational and in active use in the Grant Operating System (GOS). Following some delay, the Integrated Risk Module was launched in February 2018.
 - b) 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 execution of **differentiated access to funding modalities** in the first three review windows of the 2017-2019 funding cycle.
 - c) 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 except for requests through the Rapid Supply Mechanism.
 - d) Progress in strengthening implementers' financial management practices, internal controls and reporting capacity through the **Co-Link Project**, with work completed in ten

countries in 2017. The Secretariat has also updated Guidelines for Grant Budgeting and completed the Financial Management Handbook for implementers.

- e) Implementation of the **Supply Chain Transformation Initiative** continues, guided by the Supply Chain Strategy and implementation plan developed in 2016. While the roll out of diagnostics in 20 key countries has been delayed, all are expected to be initiated by the end of 2018, and progress will continue to be monitored as part of the SIP to ensure these proceed apace. Efforts to strengthen supply chain assurance options have overcome initial delays, with the completion of pilots in five countries, development of a roll out plan and selection of assurance providers in select countries in 2017.
- f) 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 regular basis to ensure alignment and course-correction as needed. A three-year work plan for the period 2018-2020 and a detailed one year plan for 2018 are expected to be finalized in early March 2018, enabling the Secretariat to more closely monitor deliverables and milestones critical for implementation of the Global Fund Strategy.

11. Potential Challenges in Maintaining Current Momentum

- 11.1 As highlighted earlier in this report, 2017 was a challenging year with competing pressures on the Global Fund's human and financial resources, and 2018 is likely to remain a resource constrained environment. In view of this, the Management Executive Committee (MEC) has agreed to four "strategic priorities" which reflect deliberate trade-off decisions to ensure focus on areas where the Global Fund can materially "move the needle." Fit for the Future is also a key mechanism through which Executive Management is looking to ensure, among other things, optimization of resources.
- 11.2 Prioritization of activities is critical to ensuring the Global Fund delivers maximum impact with available resources, but the organization must avoid the pitfalls of deprioritizing key enabling initiatives. Fully embedding risk management is critical to ensuring the organization can deliver on its priorities, whilst simultaneously ensuring that important work on other areas, including core functions, is appropriately managed.
- 11.3 The potential for changes in priorities as the year progresses is also important to recognize. The appointment of a new Executive Director is expected to bring greater stability in 2018. However, new leadership also brings change, particularly when combined with an ambitious Strategy and a relatively unpredictable external environment.
- 11.4 To effectively advance the Global Fund's maturity level, it is essential that the Board and Executive Management continue to provide strong leadership and emphasize their support for, and the importance of, establishing a strong risk culture.

III. Chief Risk Officer's Annual Opinion

- 12.1 The OIG issues an annual opinion on the state of governance, risk management and internal control processes at the Global Fund, and whether they are likely to ensure that the organization's operational and strategic objectives will be met. The OIG's opinion is based on a rating scale with six choices along a continuum: 1) Optimized; 2) Actively Managed and Formalized; 3) Embedded; 4) Initiated; 5) Ad-hoc; and 6) Non-existent. The definition of the ratings is provided at Annex 2.

12.2 In his Annual Opinion issued in May 2017, the CRO concluded that during 2016, there was clear progress in advancing the maturity of risk management, internal controls and governance within the Global Fund, moving meaningfully towards an 'Embedded' state as defined using the OIG's rating scale. The Opinion also highlighted the following areas where continued and/or increased attention and progress was required to achieve an 'Embedded' state of maturity in the coming 18 months:

- Maintaining momentum in operationalizing the results of the current initiatives including "embedding risk management" and the initiatives captured under the "Prioritized Action Plan";
- Building out a robust internal control environment;
- Developing and operationalizing Risk Appetite; and
- Improving governance.

12.3 As in the previous year, the senior management formulated a Secretariat view on the present state of governance, risk management and internal controls, and where it is expected to be by end of 2018. To inform this opinion, the management considered, among other things: a) the results of a survey soliciting views from senior management on governance, risk management and internal controls; b) progress during the year on key initiatives, including those under the PAP; c) progress on thematic areas highlighted in the OIG's opinion from the previous year; d) progress on rolling out the risk management (and assurance) framework, as well as improvements in governance and internal controls; and e) progress on the four areas highlighted in the 2017 Opinion.

12.4 The view of the Global Fund's senior management is that the organization's maturity level has moved closer to 'Embedded' and that this medium term state can be achieved by the end of 2018. Management also recognizes that this is a stretch target that will require significant and sustained effort to reach.

12.5 The CRO concurs with the senior management's view, basing his opinion on the progress that has been made in a number of areas referenced in this report above, as well in relation to: i) quality of assessments, discussions and decisions at the GAC and the ORC; (ii) the Risk Department's direct oversight work based on the revised engagement model, including in-country risk assessments; iii) quality and results of assurance plans that have been rolled out; iv) COSO reviews of key corporate processes; (v) quality of presentations and senior management discussions and decisions on key organizational risks; and vi) observations around early signs of the development of a healthy risk culture.

12.6 Further evidence of an increasing maturity level that should be highlighted includes:

- Embedding of risk management, including strengthened risk management in GAC and pre-GAC processes, assurance planning, maturing of the ORC, and significant advances in financial management and recoveries processes.
- Completion of reviews of key business processes for design of key controls. Focus has now shifted to building a monitoring and compliance function.
- Considerable progress on developing a Risk Appetite Framework, which is being presented to the Board for approval and which, subject to approval, is ready to be operationalized.

12.7 The CRO also agrees with the view that reaching an 'Embedded' state by the end of 2018 is ambitious and is subject to satisfactory completion of key actions in line with current timelines. These include: Board approval and subsequent operationalization of the Risk Appetite Framework; improved compliance monitoring of key business processes; improved governance; and increased momentum in the implementation of the Supply Chain Strategy (including seeing

countries start to successfully make the transition from diagnostics to in-country transformations).

- 12.8 The Secretariat's vision continues to be to attain an overall maturity level of 'Actively Managed and Formalized' over the medium term. Given considerations such as value for money and contextual factors such as the external environment, aiming to achieve an overall 'Optimized' state will not be appropriate. That said some of the processes in areas such as financial management have already achieved the target level and with the current trajectory are on track to reach 'Formalized' and 'Optimized'.
- 12.9 Over the past few years, the Global Fund has been deliberate in focusing its efforts in relation to risk management and mitigation. This has yielded positive results. Over this period and especially in 2017, the level of risk related to Grant Related Fraud & Fiduciary, Procurement, and Quality of Health Products risks has reduced from 'High' to 'Moderate'. This reduction in risk is also evidenced by a much lower pace of OIG and non-OIG identified recoverables, and fewer issues related to procurement, especially via PPM. These risks were prioritized because the organization's de-facto appetite for these risks was low and the mitigating measures were largely within the Secretariat's control. Progress has also been seen in relation to Strategic Data Quality & Availability, Accounting & Financial Reporting by Countries, Integrated Processes, Systems & Tools, and Risk Management & Internal Controls, which are all showing a positive direction of travel. As a result, the overall risk profile is stable to slightly improving.
- 12.10 The organization's focus is now expanding to prioritize other high risk areas such as Program Quality and In-Country Supply Chain. These risks are systemic in nature, requiring significant resources, support from in-country partners and political will from implementers. Mitigating measures, therefore, have inevitably longer lead times both in terms of implementation and realization of benefits. Consequently, whilst these risks are receiving the right level of attention, a reduction in residual risk levels is not expected in the short term. The remaining 'High' risks include: Human Rights & Gender Inequality, Transition, and Drug & Insecticide Resistance. The Global Fund and its partners have only partial ability to influence and mitigate these risks. Nevertheless, the Global Fund has a key role to play in leveraging its leadership position to support programs aimed at tackling these where and when it can, and within this context, the Secretariat's response is appropriate and proportionate.

IV. Conclusion

- 13.1 The Secretariat made good progress in advancing the level of maturity of risk management, internal controls and governance, and it is now closer to 'Embedded,'. This state can be achieved by the end of 2018 but it is a stretch target that will require significant and sustained effort to reach. The overall risk profile is stable to improving.
- 13.2 Despite this relatively positive outlook, the operational context remains challenging with competing pressure on resources, potential for shifting priorities and ever increasing demands for innovation both in-country, and in terms of how the Global Fund operates and organizes itself internally. As such, the Secretariat must maintain momentum and focus in its drive towards establishing a stronger risk culture. Fully embedding risk management is a critical enabler to ensuring the Global Fund is able to deliver on its 2017-2022 Strategy. This requires continued support from the Board, Committees and Executive Management, whose leadership and guidance will continue to be key.

Annex 1: Organizational Risk Register, Q4 2017

Annex 2: PAP Update, Q4 2017















































39th Board
Risk Management Report and Annual Opinion
ANNEX 1: Organizational Risk Register Q4 2017
For Board Information
GF/B39/23
Skopje
09-10 May 2018

The Global Fund's Organizational Risk Register
Q4 2017









(7 February 2018)

ORR Risk Summary - Q4 2017









Risk	Residual Risk Q4	Change since Last Quarter	Direction of Travel	Global Fund Ability to Mitigate
1. Program Quality		No		★★
2. Strategic Data Quality and Availability		Yes		★★★★
3. Procurement		No		★★★★★
4. In-Country Supply Chain		No		★★★★
5. Grant-Related Fraud & Fiduciary		No		★★★★★
6. Accounting and Financial Reporting by Countries		No		★★★★
7. Grant Oversight and Compliance (at PR Level)		No		★★★★
8. Quality of Health Products		No		★★★★
9. Human Rights and Gender Inequality		No		★★
10. Transition		No		★★
11. Drug and Insecticide Resistance		No		★★
12. Internal Operations		Yes		★★★★★
13. Integrated Processes, Systems and Tools		No		★★★★★
14. Risk Management and Internal Controls		No		★★★★★
15. Foreign Exchange		No		★★★★★
16. Governance and Oversight		No		★★★★
17. Organizational Culture		No		★★★★★
18. Ethics		No		★★★★
19. Staff Health		No		★★★★★
20. Future Funding		No		★★★★
21. Privileges and Immunities		No		★★★★
22. Reputation		No		★★★★









Risk Rankings: 5-Point Scale

Very High		High		Moderate		Low-Moderate		Low	
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1. Program Quality										Residual Risk	Risk Appetite ¹																																																				
Risk Owner: TAP		IRT Category: Programmatic & M&E			Direction of Travel: 			No change since last quarter																																																							
Risk Description Inadequate quality of programs/services funded by the Global Fund, which results in poor health outcomes and health systems response to the diseases.										Target Risk ¹	GF Ability to Mitigate																																																				
Risk Impact Poor adherence to international standards for diagnosis, treatment and prevention, poor adherence to regimens and irrational use of health products. Such risks are exacerbated in high-risk environments that account for a significant portion of Global Fund investments.																																																															
Key Countries/Components										Key Partners																																																					
<table border="1"> <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><td rowspan="5">Top 25 countries by allocation amount</td> <td rowspan="5">Agencies of the US Government, World Health Organization and Health Data Collaborative have a minor ability to mitigate Program Quality risk.</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	Top 25 countries by allocation amount	Agencies of the US Government, World Health Organization and Health Data Collaborative have a minor ability to mitigate Program Quality risk.	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		
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1. Root Causes			2. Current Controls & Mitigations			4. Progress on Ongoing & Planned Mitigations				Status:	  																																																				
<p>(1) Inadequate use of data for appropriate design of quality & efficient programs targeted and relevant to epidemiological context;</p> <p>(2) Interventions and targets not based on programs' context or do not address National Strategic Plan priorities;</p> <p>(3) Key interventions not sufficiently focused on populations most in need of services, or well-linked to achieving program outcomes;</p> <p>(4) Guidelines/tools to review quality of services are not available or programs are not routinely reviewed;</p> <p>(5) Programs do not adhere to approved national or WHO guidelines e.g. medicine formulations; diagnostic tools; lab; procurement; prevention, identification, care treatment or adherence guidelines;</p> <p>(6) Inadequate staff capacity with regular training and supervision.</p>			<p>(1) Refocusing on grant programs' quality and efficiency through systematic in-country reviews and interagency missions (Impact Through Partnership) (ref. 1.1);</p> <p>(2) Differentiated approaches and integrated service delivery models to achieve impact in diverse country contexts (refs. 1.2-3);</p> <p>(3) Ongoing dissemination of best practices and practical guidance by Technical Advice and Partnerships, including quality standards and normative guidelines (refs. 1.4-6);</p> <p>(4) Program quality assurance framework integrated with countries' risk assurance planning through the Comprehensive Risk Assurance Framework and the Risk Handbook. (refs. 1.1-3);</p> <p>(5) Catalytic funding for TB on finding additional 1.5 million missing cases in 13 priority countries and RSSH catalytic funding on integrated service delivery for 2017 - 2019 (refs. 1.1, 1.4).</p>			<p>Ongoing</p> <p>(1) Leveraging grant funding to improve quality and efficiency of service delivery through differentiated HIV service delivery with focus on KPs and AGYW, active case finding and improved treatment in TB, and integration of HIV, TB and malaria services into broader service delivery platforms (i.e.-ANC/PNC) through technical partners and implementers;</p> <p>(2) Scale-up of service delivery models underway in Ghana, Senegal, Kenya, Uganda, Tanzania, Cote D'Ivoire, Mozambique, and Afghanistan, with potential for countries to change based on changes in priorities by countries and country teams;</p> <p>(3) Continued, coordinated implementation (e.g. co-financing with other donors) of national program quality facility assessments according to country risks.</p> <p>(4) Roll-out of the Data use for Action and Improvement framework, inclusive of indicators on measuring program quality. The framework is fully aligned with the 2018 Priority 4 on Data systems for health and use of data for program quality and efficiency improvement.</p> <p>Planned</p> <p>Strategic Initiative(s):</p> <p>(1) Finding an additional 1.5 million missing TB cases in 13 priority countries by improving laboratory service quality and optimization of diagnostic networks for scale up of diagnostics and development of other interventions, tools and new approaches for missing cases to be adopted and adapted by countries;</p> <p>(2) RSSH catalytic funding on integrated service delivery, best practices transferred across countries and scaled-up through South-to-South exchange and peer learning; and strengthening governance for cross-program integration and efficiency.</p>				Timelines																																																					
3. Assurances																																																															
<p>(1) Special studies or evaluations;</p> <p>(2) National or disease specific reviews;</p> <p>(3) Program quality facility assessments;</p> <p>(4) Population based surveys;</p> <p>(5) Community monitoring;</p> <p>(6) Partner reviews;</p> <p>(7) Programmatic spot checks;</p> <p>(8) Country/portfolio evaluations;</p> <p>(9) Thematic reviews;</p> <p>(10) Prospective Country Evaluations.</p>																																																															
5. Additional Actions Needed																																																															
<p>(1) Support for expanded client/patient-centered services and monitoring thereof in the new funding cycle;</p> <p>(2) Continued expansion of private-public mix in the new funding cycle.</p>																																																															

¹Risk Appetite and Target Risk level will be filled in after approval by the Board.








2. Strategic Data Quality and Availability										Residual Risk	Risk Appetite ¹
Risk Owner: TAP		IRT Category: Programmatic & M&E		Direction of Travel: 		Bottom up adjustment from "Moderate" to "High" in last quarter					
Risk Description Poor quality and/or unavailability of program data due to weak in-country and/or data systems can hamper programs' ability to reach their targets. In addition, analysis of available data is not used for strategic investments and improvements to program quality.										Target Risk ¹	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 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>	
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		
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 program data.		(1) Grant supported investments for strengthening and maintenance of in-country M&E systems, including District Health Information System 2 (DHIS2)/other Health Management Information System rollout and maintenance; aligned to countries' national costed M&E / HMIS Plan (ref. 1.1 - 1.5); (2) Catalytic funding for data systems 2017 - 2019 (ref. 1.4, 1.5); (4) Ensuring appropriate data quality assurance is maintained as part of countries' risk assurance planning (refs. 1.4-5); (5) Tracking of new Global Fund Strategy for KPI 6d on HMIS coverage and KPI 6e on data disaggregation (ref. 1.5);				Ongoing (1) Strategic Initiative funding for Country Data Systems 2017 - 2019. Includes contracts put in place with WHO and with UiO starting Q1 2018, with outcome based deliverables on - integration of disease reporting in countries' national HMIS, with epi-based analytical dashboards - introducing new functionalities / computer software applications in countries' national HMIS to more readily assess data quality, for example, WHO Data Quality Review app for DHIS2 (2) Data quality assurance framework directly aligned with countries' risk assurance planning through the Comprehensive Risk Assurance Framework and the Risk Handbook. Continued coordinated implementation (e.g. co-financing with other donors) of national data quality reviews according to country risks. (3) Guidance note on key areas for M&E investments issued and being used by Country Teams during country dialogue and grant making; (4) GF M&E Dashboard to track country M&E system performance being populated for integration into the overall RSSH Dashboard; (5) Developed Global Fund Data Use for Action and Improvement Framework for 2018 - 2022; operationalization ongoing; some relevant aspects include: -Development and application of M&E frameworks for key populations, AGYW, program quality, and COE, -Support for development of national costed M&E / HMIS plans aligned with national strategic plans, -Support for interoperability with LMIS and lab systems -Completed Community HIS DHIS2 "module" and CHIS Academy; continued support for developing and strengthening community health information system, integrated with national HMIS -Support for civil registration and vital statistics, including integration of ICD-coded health facility mortality reporting into countries' national HMIS/DHIS2				Timelines 2018-2019 2018 2018-2018 2018 2018-2022	
3. Assurances		(6) Performance Framework Modular Framework updated in close collaboration with partners. Guidance regularly disseminated to Public Health and M&E specialists (refs. 1.4-5); (7) Quality assurance of Performance Frameworks (refs. 1.4-5).				Planned (1) Roll-out of the Data use for Action and Improvement framework- 20 indicators to monitor the various strategic activities. The framework is fully aligned with the 2018 Priority 4 on Data systems and Program quality and efficiency (2) Numerous activities under the Catalytic funding / Strategic in particular Pool of TA for M&E and partner agreement for strengthening routine data system scale-up and program reviews				2018 - 2022 (1-2)	
				5. Additional Actions Needed				Stronger global support /investments in core /central costs of developing and maintaining M&E global public goods (e.g. DHIS2, other open-source solutions, etc.)			
¹ Risk Appetite and Target Risk level will be filled in after approval by the Board.											

3. Procurement					Residual Risk	Risk Appetite ¹																																									
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 waste of funds or products.					Target Risk ¹	GF Ability to Mitigate																																									
Risk Impact Over 40% of grant funding allocated to health commodities, making it imperative that procurement is subject to appropriate technical, regulatory and financial requirements with robust and cost efficient processes. Poorly managed procurement processes linked to quantification, planning or fraud can create 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 the three diseases.																																															
Key Countries/Components					Key Partners																																										
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1	Nigeria	5	Uganda	9	Malawi	13	Myanmar	17	Viet Nam	Top 20 countries by commodity budget																																					
2	India	6	Tanzania	10	Ghana	14	Ukraine	18	Sudan																																						
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1. Root Causes		2. Current Controls & Mitigations		4. Progress on Ongoing & Planned Mitigations		Status:																																									
<p>(1) Inadequate human resource capacity or data systems for quantification / forecasting and demand planning;</p> <p>(2) Limited product market knowledge by buyers to ensure value for money;</p> <p>(3) Lengthy procurement processes and /or governance-related challenges leading to non-cost effective procurement practices/outcomes;</p> <p>(4) Inadequate focus on other elements of procurement beyond prices, often resulting in poor supplier performance and delays in deliveries;</p> <p>(5) Grant-specific procurements may not necessarily provide leverage to ensure Value for Money.</p>		<p>(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 55% of Global Fund annual spending on health products (refs. 1.1-5);</p> <p>(2) wambo.org - the online procurement platform that provides access to negotiated prices and conditions to countries, currently Pooled Procurement Mechanism countries for core products (refs 1.1-5);</p> <p>(3) Rapid Supply Mechanism that responds to emergency needs of countries and addresses stock out situations (ref. 1.1, 1.3, 1.4);</p> <p>(4) Global Fund Quality Assurance policies for pharmaceutical and diagnostic products, including specific pre-shipment inspection and testing to prevent procurement of substandard products (ref. 1.1, 1.2, 1.4);</p> <p>(5) Increased focus by the Secretariat on quantification, demand planning and management (ref. 1.1).</p>		<p>Ongoing Strategic Initiative(s)</p> <p>(1) Board-approved Market Shaping Strategy (2016-2021);</p> <p>(2) Wambo.org - automation of Pooled Procurement Mechanism transactions (Phase 1a, completed) and providing access to countries with domestic financing (Phase 1b, pilot ongoing);</p> <p>(3) Using Pooled Procurement Mechanism negotiated/reference prices as benchmark for non-Pooled Procurement Mechanism procurement;</p> <p>(4) Extending and measuring Pooled Procurement Mechanism KPIs (cost savings; On-time In-Full etc.) to non-Pooled Procurement Mechanism countries (through KPI 6a. Procurement).;</p> <p>Other</p> <p>(1) See In-Country Supply Chain Risk, including demand forecasting and quantification work (Tab #4);</p> <p>(2) Price, Quality Reporting Tool enhancement (AIM Team)</p> <p>(3) Detailed analysis of the underlying challenges affecting wambo.org's operational efficiency; develop and implement a work plan on the operational improvements necessary to achieve the efficiency targets from the wambo.org platform articulated in the business case .</p> <p>Planned Strategic Initiative(s)</p> <p>(1) 2nd phase of implementation of Market Shaping Strategy (2018-2020), beyond prior ad hoc approach;</p> <p>(2) Framework for the Responsible Procurement of Health Products to be developed, in light of the Global Fund's signing of an Interagency Statement.</p>		  																																									
3. Assurances																																															
<p>(1) Price and Quality Reporting - LFA verifications on prices;</p> <p>(2) Pooled Procurement Mechanism reference pricing and KPIs - as benchmark.</p>																																															
5. Additional Actions Needed																																															
Procurement Capacity Building (procurement portal, training and mentorship)																																															


¹Risk Appetite and Target Risk level will be filled in after approval by the Board.

4. In-Country Supply Chain				Residual Risk	Risk Appetite ¹	
Risk Owner: GMD	IRT Category: Health Product Management & Supply Chain	Direction of Travel: 	No change since last quarter			
Risk Description Disruption of in-country health product supply chains from port of entry to point of service delivery, including supply and supplier-related issues, organization and strategy issues, as well as financial, logistic, political, market and regulatory issues, any of which can prevent achievement of grant objectives.				Target Risk ¹	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; this can lead to multiple risk events, including treatment disruption, poor quality of services, increased drug resistance, expired drugs and poor value for money. Ultimately, this can lead to reduced impact of				Key Partners		
Key Countries/Components				<i>Agencies of the US Government, World Bank, World Health Organization and Interagency Supply Chain Group</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) Insufficiently trained/qualified staff for recording, reporting and monitoring of health commodities at different levels of supply chain; inadequate logistics management capacity; (2) Lack of reliable consumption & availability data, and/or MIS for reconciliation between inventory and patient information for effective forecasting & quantification, and inventory management (3) Poor oversight and control of inventory management, 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; (6) International guidelines are not sufficiently relevant to optimize supply chain operations.	(1) Some grant budgets include line item funding for certain supply chain systems strengthening activities relevant to data, human resources for health, storage and other infrastructure, training, commodities tracking, national capacity, national investments for drugs, supply chain, quality control and/or commodity security (refs. 1.1-5); (2) Annual review and Secretariate approval of forecasts and quantification for High Impact countries and those identified as high risk in terms of procurement and supply chain management (ref. 1.1-2); (3) In some countries, 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) (4) Forecasting Steering Committees in place in a number of High Impact countries; (5) Comprehensive Supply Chain Assurance Framework tool is available to CTs to better ensure selection of adequate/appropriate assurance activities; (6) GRO meetings and regular operational risk review processes are leveraged to ensure relevant supply chain assurance activities are considered;	Ongoing Strategic Initiatives (1) Catalytic funding for implementation of targeted supply chain diagnostics, to lead to transformation plans to address priority issues and risks. Eight countries embarked on the diagnostics process in 2017; of these, all are on track with the initially planned timeline (includes one that has been completed). Four further countries have already committed to diagnostics in 2018 and an additional eight countries will be in progress by the end of 2018 (total of 12 countries to be in progress by end 2018). (2) Data collection processes being developed to allow for baseline measurements of Steering Committee-approved supply chain performance KPIs (work process already in place for product availability); (3) Catalytic funding for supply chain innovation to identify technology-driven solutions and private sector investments; and catalytic funding to enable capacity building across high impact countries (20) via expanding supply chain universities and supply chain training. (4) Risk and assurance framework for lab services and diagnostic products under development; HPM/SC Assurance Framework tool will be updated for Lab Services by creating a Lab section within the Framework; (5) Define demand planning process that ensures LOHP development, review and consolidation adequately meets needs of Sourcing team to determine demand levels; define coordination processes;		Timelines Q4 2018 Q4 2018 2018-2020 Ongoing Q1 2018 2018-2020 Q1, Q2 2018		
3. Assurances		5. Additional Actions Needed				
(1) In-country supply chain diagnostics (see section 4); (2) Selection and approval of KPIs by the relevant Steering Committee; inclusion of SC KPI on product availability in corporate KPIs; (3) 14 supply chain assurance activities outlined in Supply Chain Assurance Framework; (4) Additional assurance activities identified in 2017 and carried out at CT/GRO discretion: <ol style="list-style-type: none"> Mapping medical lab equipment deployment (inc. GeneXperts) Market surveillance on product diversion or leakage/ supply chain integrity and security Warehouse infrastructure assessment (linked to insurance) Product availability at point of care (KP-I6b) 		(7) Service providers to carry out lab assessments, market/product availability surveys and warehouse infrastructure assessments have been identified (8) A GMD Supply Chain Steering Committee is in place to track progress on activities related to Supply Chain Strategy, including Diagnostics; (9) Supply Chain Department strategy aimed at improving supply chain management has been fully rolled out and integrated into an approved implementation plan and the GMD workplan.		Definition of a process/bridge between diagnostic assessment completion and implementation of transformation plan		








¹Risk Appetite and Target Risk level will be filled in after approval by the Board.

5. Grant-Related Fraud and Fiduciary					Residual Risk	Risk Appetite ¹	
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 ¹	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							
1 Nigeria	6 Zimbabwe	11 South Africa	16 Rwanda	21 Burkina Faso	Top 25 countries by allocation amount		
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) Questionable budget; presence of high risk activities; (2) Weak PR management; (3) Weaknesses in PR and SR internal control frameworks; (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, with continuous monitoring by Finance Specialists (refs. 1.1-6); (2) Strengthening of fiduciary controls including over procurement mandated for new grants and during grant implementation (ref. 1.3); (3) Use of Fiduciary/Fiscal Agents in high risk countries (refs 1.1-6); (4) Use of Pooled Procurement Mechanism or outsourcing of procurement to procurement agents (ref. 1.2); (5) Financial Control Environment Review pilot recommendations and cross cutting Agreed Management Actions jointly monitored by Risk Department and FISA (refs. 1.1-6).		Ongoing (1) Roll-out of revised financial audit Terms of Reference emphasizing risk based assessment of PR internal controls. Reflection on a differentiated approach for external auditor is on-going. An updated audit guidelines is expected for June 2018 that will be used for grant audits covering the financial year 2018 onward. (2) Financial risk guidelines for Country teams and implementers drafted and approved by the Executive Grant Management Committee. Dissemination of guidelines planned for Country Teams and implementers. Planned (1) Develop and implement anti-Fraud Risk Guidelines to provide guidance to country teams on how to manage financial fraud; (2) Develop and implement new Integrity Due Diligence policy and framework for selection and ongoing monitoring of implementers, suppliers and other third parties.		Timelines Q2 2018 Q1 2018 Q2 2018 Q4 2018	
3. Assurances							
(1) LFA reports; (2) External audit reports; (3) Internal audit reports.							
5. Additional Actions Needed							









¹Risk Appetite and Target Risk level will be filled in after approval by the Board.

6. Accounting & Financial Reporting by Countries					Residual Risk	Risk Appetite ¹						
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 ¹	GF Ability to Mitigate						
						★★★						
Risk Impact Misallocation of resources; reduced grant coverage and performance; increased morbidity and mortality.					Key Partners							
Key Countries/Components					<i>The World Bank and US Government agencies have a moderate ability to mitigate the risk of poor Accounting & Financial Reporting by Countries. Additional Partners: International Professional Accounting Bodies and Supreme Audit Institutions (SAI).</i>							
1	Nigeria	6	Zimbabwe	11			South Africa	16	Rwanda	21	Burkina Faso	Top 25 countries by allocation amount
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 human resource capacity; (2) Weak financial reporting processes; (3) Weak or nonexistent financial management systems.		(1) Development and implementation of grant-level financial assurance plans across the portfolio with continuous monitoring by Finance Specialists (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. 1.1-3); (4) Enhanced tracking of audit report and follow-up, peer review by Risk & Assurance Team and feedback provided to CT/RFMs on findings and areas for improvement (refs. 1.1-2).			Ongoing (1) Implementation of agreed action plans is ongoing in at least 24 countries for strengthening implementers' financial management capacity (people, process and system). At least 80% agreed action plans have been completed in six (6) countries i.e. Congo, Indonesia, Madagascar, Namibia, Togo and Zambia in accordance with target agreed under SO2(g); Planned (1) Regional Auditor assignments, collaboration with the World Bank on external audit firm assessment and/or accreditation/selection; (2) Perform joint financial assessments to leverage the use of country or donor harmonised systems for financially managing Global Fund investments in at least 3 countries for sustained impact, mainly in concert with other development partners; (3) Demonstrate the use of at least 6 (out of total 8) defined components of Public Financial Management (PFM) systems for financially managing GF investments, contributing to financial management sustainability, aid effectiveness, accountability and transparency, in three (3) targeted countries; (4) Agreed comprehensive action plans for the routine financial management capacity strengthening for financially managing Global Fund investments in at least 8 additional countries; (5) Demonstrate the implementation of at least 80% of agreed plans for improving financial management in ten (10) additional targeted high impact and core countries.			Status:	Timelines Q4 2018 Q4 2018 Q4 2018 Q4 2018 Q4 2018 Q4 2018			
3. Assurances												
(1) LFA reports; (2) External audit reports; (3) Internal audit reports; (4) OIG audits.												
					5. Additional Actions Needed							

¹Risk Appetite and Target Risk level will be filled in after approval by the Board.






7. Grant Oversight & Compliance (at PR Level)					Residual Risk	Risk Appetite ¹																																																	
Risk Owner: GMD	IRT Category: Governance, Oversight & Management Risks		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 the PRs inability to (a) develop and maintain standard processes, procedures and reports required to monitor program activities including at SR level; (b) identify and manage risks associated with program implementation (at PR, SR and SSR levels); (c) implement appropriate HR policies and procedures to attract and retain high quality staff; (d) use strong program management practices to manage and leverage available resources and ensure program activities are implemented as planned while adhering to high quality standards; and (e) maintain strong internal controls that demonstrate integrity/ethical values.					Target Risk ¹	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					<i>Bilateral donors such as the US and France provide focused technical assistance to PRs on grant management.</i>																																																		
<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		
1	Nigeria	6	Zimbabwe	11	South Africa	16	Rwanda	21	Burkina Faso																																														
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1. Root Causes		2. Current Controls & Mitigations		4. Progress on Ongoing & Planned Mitigations		Status:	  																																																
(1) Inadequate PR management and reporting capacity; (2) Weak human resource capacity; (3) Weak internal controls at the PR level; (4) Inadequate SR oversight. (5) Lack of enabling operating environment (e.g. political changes, social unrest, natural disasters, ongoing conflict etc) (6) Inadequate policies, processes, procedures, tools and protocols to identify and mitigate risks at PR and SR 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); (4) 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 Core portfolios. (4) Development of the Financial Management Impact Review tool to monitor progress on financial risk 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) Development and roll out PR risk management guidance		Timelines 2018-2020 2018-2020 2018-2020 2018-2020 2018 2018 - 2020																																																	
3. Assurances																																																							
(1) Capacity Assessment Tool; (2) External audit reports; (3) LFA spot checks; (4) Programmatic assurance options.																																																							
5. Additional Actions Needed																																																							





¹Risk Appetite and Target Risk level will be filled in after approval by the Board.




8. Quality of Health Products					Residual Risk	Risk Appetite ¹
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 ¹	GF Ability to Mitigate
						
					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	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) Procurement of substandard health products; (2) Absent/inadequate controls, standards and/or monitoring processes; (3) Poor logistics management; (4) 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); (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).		Ongoing (1) 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; manufacturer visit initiated by QA specialists; (2) Ongoing engagement with internal and external stakeholders regarding counterfeit health products including participation in the Global Steering Committee for Quality Assurance of Health Products; 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. Strategic Initiative for ERP annex signed; ongoing discussion for transitioning countries; (2) Execution of strategy aimed at improving supply chain management per an approved implementation plan and the GMD workplan. Efforts to improve supply chain management can serve to preserve quality, integrity and security of health products.		Timelines 2018 2018-2022 2018-2020 (1-2)
3. Assurances				5. Additional Actions Needed		
(1) 14 supply chain assurance activities outlined in Supply Chain Assurance Framework; (2) Additional assurance activities identified in 2017 and carried out at CT/GRO discussion: <ol style="list-style-type: none"> Market surveillance on product diversion or leakage/ supply chain integrity and security Warehouse infrastructure assessment (linked to insurance) 				Targeted RSSH investments for establishment of in-country accredited Quality Control lab and strengthened post marketing surveillance.		







¹Risk Appetite and Target Risk level will be filled in after approval by the Board.





9. Human Rights and Gender Inequality										Residual Risk																																																													
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.										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 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 Countries/Components										Key Partners																																																													
<table border="0"> <tr> <td>1</td><td>Lesotho</td><td>6</td><td>Zimbabwe</td><td>11</td><td>South Africa</td><td>16</td><td>Honduras</td><td>21</td><td>Benin</td><td>26</td><td>Tunisia</td><td rowspan="5">2 cohorts: 20 HR & 13 AGYW focus countries. 6 countries where there is overlap are bolded. Countries eligible for KP</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>Jamaica</td><td>22</td><td>Nepal</td><td>27</td><td>Sierra Leone</td> </tr> <tr> <td>3</td><td>DRC</td><td>8</td><td>Malawi</td><td>13</td><td>Namibia</td><td>18</td><td>Ghana</td><td>23</td><td>Philippines</td><td></td><td></td> </tr> <tr> <td>4</td><td>Mozambique</td><td>9</td><td>Botswana</td><td>14</td><td>Indonesia</td><td>19</td><td>Cameroon</td><td>24</td><td>Ukraine</td><td></td><td></td> </tr> <tr> <td>5</td><td>Swaziland</td><td>10</td><td>Kenya</td><td>15</td><td>Côte d'Ivoire</td><td>20</td><td>Senegal</td><td>25</td><td>Kyrgyzstan</td><td></td><td></td> </tr> </table>										1	Lesotho	6	Zimbabwe	11	South Africa	16	Honduras	21	Benin	26	Tunisia	2 cohorts: 20 HR & 13 AGYW focus countries. 6 countries where there is overlap are bolded . Countries eligible for KP	2	Tanzania	7	Uganda	12	Zambia	17	Jamaica	22	Nepal	27	Sierra Leone	3	DRC	8	Malawi	13	Namibia	18	Ghana	23	Philippines			4	Mozambique	9	Botswana	14	Indonesia	19	Cameroon	24	Ukraine			5	Swaziland	10	Kenya	15	Côte d'Ivoire	20	Senegal	25	Kyrgyzstan			UN, Bilateral, Foundation and Civil Society partners provide advocacy support
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1. Root Causes			2. Current Controls & Mitigations			4. Progress on Ongoing & Planned Mitigations				Status:																																																													
<p>(1) Interventions to reduce human rights and gender related barriers in access to services are not included in the program design due to countries' reluctance to address these issues.</p> <p>(2) Laws, policies or regulations which hinder government funding and/or contracting of non-government organisations to support implementation of a national disease response.</p> <p>(3) Harmful and/or discriminatory cultural practices, gender-norms and stereotypes or gender-based violence that limit access to health care by key or vulnerable populations.</p> <p>(4) Evidence of overcrowding, treatment interruptions, or other abuses that negatively impact on the health of detainees where the Global Fund is financing health services in prisons or detention centers.</p> <p>(5) Laws, policies or regulations, which may hinder implementation of evidence informed programs for specific populations disproportionately impacted by the three diseases with no mitigation measures in place to ensure effective program delivery for key populations.</p>			<p>(1) Technical briefing notes on HIV and human rights and gender equality, TB, human rights and gender and malaria, human rights and gender, and HIV and key populations inform grant making (refs. 1.1-5);</p> <p>(2) Sex and age data disaggregations integrated into performance frameworks (ref. 1.4);</p> <p>(3) Specific human rights and gender guidance developed for Challenging Operating Environments (refs. 1.1-5);</p> <p>(4) CRG Strategic Initiative available for focused technical assistance for human rights, gender and key populations (refs. 1.1-5);</p> <p>(5) Comprehensive accountability framework on gender equality in place (refs. 1.1-2);</p> <p>(6) CRG 2017-2019 workplan (refs. 1.1-5);</p> <p>(7) Human Rights Complaints Procedure in place and evaluated (refs. 1.2-5);</p> <p>(8) Gender advisers embedded into GMD to support AGYW work (ref. 1.3);</p> <p>(9) Internal trainings on Key Population implementation tools undertaken with GMD (refs. 1.3, 1.5).</p> <p>(10) Gender, Human Rights and Community responses modules delivered during STC training (refs. 1.1-5);</p> <p>(11) Training for all 20 Human Rights scale-up countries delivered (refs. 1.1-5).</p>			<p>Ongoing</p> <p>(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)</p> <p>(2) Baseline studies of human rights-related barriers to services underway or scheduled for 20 countries</p> <p>(3) Private sector campaign to raise funds for Prioritized Above Allocation Request adolescent girls and young women activities (Launched in Davos)</p> <p>(4) CRG Advisers providing support as other countries have been developing their applications;</p> <p>(5) Contracts signed with WHO for AGYW support, and negotiated pending signing with UNICEF;</p> <p>(6) Focus on social contracting within the STC Policy and associated work;</p> <p>(7) Matching Funds for AGYW, human rights and key populations programs in place;</p> <p>(8) Review of data systems for KPI 5 reporting includes an assessment of service package design, delivery and reporting in 6 regions. Availability of non-health sector interventions for key populations (e.g. community empowerment, stigma discrimination and other structural interventions) assessed.</p> <p>(9) CRG SI technical assistance on AGYW mobilized in Kenya, planned in Zambia, South-Africa and Botswana; and HER Voice Fund Launched - including the Identification of TA providers/consultants to provide TA for civil society groups. CRG SI technical assistance on HR also mobilized in a number of settings.</p> <p>(10) Internal Secretariat cross-department and OIG working group to review and revise existing human rights crisis coordination protocol and plan with technical and community partners for enhanced safety and security of key and vulnerable populations;</p> <p>Planned</p> <p>(1) Development (Q4 2017 to Q2 2018) and implementation of 5-year plan to scale up programs to reduce human rights-related barriers to service for 20 intense effort countries;</p> <p>(2) Development (Q4 2017 to Q1 2018) and implementation of differentiated support plan for scaling up programs to reduce human rights and gender related barriers across the GF portfolio;</p> <p>(3) Development (Q4 2017 to Q2 2018) and implementation of targeted support plans on TB and malaria for gender and human rights.</p> <p>(4) Application of lessons learned in selected Challenging Operating Environments</p> <p>(5) Implementation of recommendations from HR Complaints Procedure review;</p> <p>(6) Training on human rights and gender-responsive programming, and continued trainings on gender equality and STC; (see 10 to the left)</p> <p>(7) High level plan with Stop TB agreed for 2018-9 to remove barriers to accessing TB services, with a particular focus on key populations and vulnerable groups. 13 priority countries identified under the TB Catalytic Investment initiative: Bangladesh, Democratic Republic of Congo, Indonesia, Myanmar, Nigeria, Pakistan, Philippines, South Africa, Tanzania, Ukraine, Kenya, Mozambique and India.</p> <p>(8) Internal Secretariat cross-department and OIG working group on human rights crises will review and</p>				Timelines																																																													
3. Assurances																																																																							
<p>(1) TERG Evaluation on programs for adolescent girls and women;</p> <p>(2) Annual report against accountability framework on gender;</p> <p>(3) Regular reporting on progress on KPIs 5, 8 and 9;</p> <p>(4) LFA spot checks.</p>																																																																							
5. Additional Actions Needed																																																																							
<p>(1) Development and implementation of a funded 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;</p> <p>(2) Strengthening community based monitoring as an assurance option.</p> <p>(3) Secure additional funding for multi-stakeholder meetings and development of 5 year plans.</p>																																																																							








10. Transition				Residual Risk
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.				GF Ability to Mitigate
				★★
				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 ca. 850 million 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>Partners including the World Bank, the World Health Organization and others 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	(1) <i>Transition Planning</i> -- Including: a) Publication of STC Guidance Note; b) publication of transition projections document; c) Development of updated Transition Readiness Assessment tools for HIV, TB, and Malaria 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> -- 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 2018 (ref 1.5). Development of cross-departmental work-plan on STC and MEC identification of STC as "Strategic Priority" (3) <i>Strengthened Operational Guidance on STC</i> -- Including: a) updated OPN on co-financing; b) strengthened GAC 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) Internal grant-making trainings on Transition Preparedness conducted; 2) Launched training	Ongoing (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 launched in 2017 and 69 total staff trained (81 % of FPMs working with UMIC and LMIC with low / moderate disease burden trained). Training to continue in 2018. (3) Strengthening and accelerating work on innovative finance, including presentation of Global Fund "approach" to innovative finance to GF Committees / Board with support from consultancy firm, and continued work to approve individual blended finance transactions recommended by the TRP (4) Ongoing GMD efforts to leverage the grant-making process to integrate transition preparedness measures and strengthen transition planning for UMICs and LMICs with low/moderate disease burden during the grant-making process (5) Continued implementation of Transition Readiness Assessments -- Approximately 20 Global Fund-supported Transition Readiness Assessments completed and approximately 20 more to be implemented in 2018-2019 (6) 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.		Timelines 2018 (1-6)
3. Assurances	(1) Transition Readiness Assessments; (2) Co-financing compliance monitoring; (3) TERG post-transition evaluations.	Planned (1) Multi-donor/partner collaboration for joint health financing strategies and engagement to increase domestic funding for health;		2018 (1-2)
5. Additional Actions Needed				
(1) Strengthened STC partnerships including with both established and new partners, with a particular focus on joint transition planning and strengthened health financing collaborations (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, including implementation of those identified in cross-departmental STC work-plan (3) Strengthened capacity of internal resources and partner support for the development and implementation of innovative finance mechanisms, including (but not limited to) blended finance / loan buy downs.				

11. Drug and Insecticide Resistance				Residual Risk
Risk Owner: TAP	IRT Category: Programmatic & M&E	Direction of Travel: 	No change since last quarter	
<p>Risk Description Increased resistance to drugs and insecticides used to fight the three diseases can lead to increased morbidity and mortality. Inconsistent treatment regimens, low quality pharmaceuticals, and interruptions in health product supply foster drug resistance that threatens public health. 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.</p> <p>Risk Impact Drug resistance and inadequate treatment adherence can lead to treatment failures and heightened disease burdens across portfolios, negatively impacting the Global Fund mission and investments. The development of resistance to insecticides used in LLINs and IRS diminishes the effectiveness of vector control tools which have been critical in interrupting transmission.</p>				GF Ability to Mitigate
				
				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: 
<ul style="list-style-type: none"> (1) Insufficient financing for effective response activities; (2) Inadequate surveillance; (3) Inadequate diagnostics; (4) Inadequate vector control; (5) Poor quality health products; (6) Instability of drug supply; (7) Undertrained public health workers and inappropriate use of drugs. 	<ul style="list-style-type: none"> (1) Global Fund Quality Assurance policies for finished pharmaceutical products & diagnostics (refs. 1.3, 1.5); (2) WHO normative guidance in place; Global Fund support for implementation of new WHO guidelines for Drug Resistant Tuberculosis) (refs. 1.2, 1.5); (3) Regional Artemisinin Resistance (RAI) program in the Greater Mekong Sub-region (refs. 1.1 - 1.7); (4) Global Fund support for the WHO Innovation to Impact (I2I) Initiative for developing and delivering vector control products (refs. 1.1, 1.4); (5) Impact through Partnership initiative (including program quality and efficiency) mainstreamed (refs. 1.1-1.7); (6) Global Fund grant support for countries in implementing changes in drug policy when necessary (for example, switch to DTG based regimens in HIV treatment) (refs. 1.5-1.7); (7) Global Fund grant support for behavior change communication, fixed dose combination therapies and support programs to improve patient adherence to antimalarial treatment (refs. 1.1, 1.5, 1.7); (8) Global Fund grant support for work with local communities to find missing TB cases (refs. 1.1, 1.7). 	<p>Ongoing</p> <ul style="list-style-type: none"> (1) TB: Global Fund support for implementation of new WHO guidelines for drug-resistant TB, including short regimens for multidrug-resistant TB (MDR-TB) and new drugs; updated Green Light Committee MoU for MDR-TB high burden countries (new simplified approach to Green Light Committee payments from Global Fund funded TB programs); and support for the scale-up of new diagnostics for rapid detection of TB/MDR-TB cases, as well as new MDR-TB drugs; (2) TB: Catalytic Investment initiative includes US\$115 million in matching funds designed to support country-led programs; US\$10 million Strategic Initiative to help technical partners develop tools based on best practices; and US\$65 million multi-country investment to address cross-border and provide treatment to refugees and internally displaced people; (3) TB: 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); (4) Malaria: ongoing focus on optimization of vector control interventions and targeted RSSH investments; (5) Malaria: Advocacy to phase out/prohibit oral artemisinin monotherapies and for the removal of substandard and counterfeit drugs from the market; (6) Malaria: work with WHO to support development of national insecticide resistance monitoring and management plans; (7) HIV: New Global Action Plan for drug resistant HIV (2017-21) developed in collaboration with CDC, the Global Fund and PEPFAR. (8) HIV: Coordinated work with WHO and other partners on Global Action Plan for drug resistant HIV. <p>Planned Strategic Initiatives</p> <ul style="list-style-type: none"> (1) US\$33 million in Catalytic Funding allocated for a Strategic Initiative to support market entry of new generation LLINs to mitigate insecticide resistance. 		<ul style="list-style-type: none"> Timelines 2018-2020 2018 - 2020 Ongoing Ongoing Ongoing Ongoing 2018-2021 2018- 2020 2018-2020
3. Assurances				
<ul style="list-style-type: none"> (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); (6) Supporting therapeutic efficacy studies (with Global Fund resources and/or other sources of funding) 		5. Additional Actions Needed		







12. Internal Operations				Residual Risk
Risk Owner: FISA	IRT Category: N/A	Direction of Travel: 	Reduced to "Moderate" from "High" in 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).				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) Global Health Campus: This risk is primarily a function of the need to ensure facility construction, move-out, IT and overall business continuity against a fixed deadline and urgent project timetable ahead of the Secretariat's move to its new premises scheduled in multiple waves, starting early March. (2) IT: Key IT risks are segregated into 4 main categories: a. Operational Risk: Availability, performance, recoverability and reliability driven by day-to-day IT operations; b. Vendor Risk: Supplier relations and oversight, including contracting and continuous management oversight of Cloud service providers; c. Project Risk: Failure to deliver on critical projects and new technology initiatives in terms of scope control, cost, quality & timeline; d. Information Security Risk: Cyber security incident, accidental or malicious loss of sensitive Global Fund information; (3) Financial Controlling: a. US\$12 million one-off GHC impact on OpEx limit will need to be recouped by the end of 2019; b. Improper/incomplete reconciliation of grant portfolio to optimize portfolios moving into a new allocation period. (4) Sourcing: The Global Fund is vulnerable to financial loss and reputational damage if critical procurement-related	Global 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); (3) Global Fund-GAVI Partnership Agreement defines responsibilities for governance of new building (ref 1.1); (4) Negotiations with the current landlord regarding BIBC dilapidation completed (ref 1.1); IT: (1) Key IT systems/applications/infrastructure managed by reputable service providers with high availability and disaster recovery capacity as of Q4 2017 and Global Health Campus as of March 2018 (refs. 1.2.a-b 1.2.d); (2) All remaining applications hosted internally at BIBC building Data Center migrated to the "cloud" or external high availability service providers reducing GHC Data Center to the bare minimum (refs 1.2.a-b 1.2.d); (3) Roadmap for ISO 27001 certification (refs. 1.2.b-d); (4) Project management training delivered to IT Staff and Key Projects teams; regular review by CIO (ref 1.2.c); (5) Monthly Secretariat IT Risks review by CIO and CFO (ref. 1.2.d); (6) Monthly Secretariat IT operations performance review by CIO (ref 1.2.a). Sourcing: New procurement regulations approved in August	Ongoing Global Health Campus: (1) IT third party service provider contracts for data center, networking and telephony in execution; (2) IT Decommissioning plan integrated to building decommissioning plan- execution on-going; (3) IT Changes freeze from February 17th to April 5th. IT: (1) Remediation action plan to address late projects and IT Operational issues in place; (2) Information Security Roadmap and Information Security Governance in progress; (3) Enterprise Architecture Board meetings continued. Terms of Reference approval in progress Financial Controlling: (1) "Fit for Future" initiative; (2) Implementation of budget reconciliation tools by implementers, LFAs, & Secretariat with oversight by Program Finance Sourcing: Refinement of procurement procedures Planned IT: (1) Decommission legacy systems, e.g., GOS Org1 merge with Org2. (2) Work from home disaster recovery scenario to test whether all Secretariat staff can retain full access to IT services; (3) Execution of plans to address key findings from the recent ISO 27001 gap analysis and Microsoft Active Directory Security Audit commissioned by IT that reflects an increased level of residual risk. Financial Controlling: Strategic trade-offs by the Board and senior management relative to OpEx limit and portfolio optimization. Sourcing: Business Process Review of indirect procurement.	Timelines Q1 2018 (1-3) Q1 2018 (1, 3) Q2 2018 (2) 2018 (1-2) Q2 2018 Q3 2018 Feb 2018 Q1 2018 2018-2019 Q2 2018	
3. Assurances	5. Additional Actions Needed			
(1) Credit Suisse; (2) Knight Frank and external consultants; (3) Annual ISO audit dry runs.	The current level of residual risk remains "High" due to the time constraints facing Global Health Campus, IT and Sourcing initiatives. As mitigations achieve desired results, we can expect a decrease in the risk level.			





13. Integrated Processes, Systems and Tools				Residual Risk
Risk Owner: GMD	IRT Category: N/A	Direction of Travel: 	No change since last quarter	
Risk Description Lack of integrated processes, systems and tools at the Secretariat.				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, 4b, and 4c and Annual Funding Decisions and Disbursements 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 PU/DRs and pre-populating expenditure budget and forecast budget information) - Grant making, grant revision, funding request and master data functionality to create and revise grant documents, manage TRP/GAC issues, and add new entities in GOS; - Additional functionalities for grant making, funding requests, grant implementation, master data functionality and workflow enhancements (refs. 1.1-3); - Calculation of AFD, disbursement schedule, controls and approvals, and integration between GOS and GFS.	Ongoing Strategic Initiative (1) Development of the Integrated Risk Management module and integration of risk management across the grant lifecycle in GOS - with a revised completion date by the end of February 2018; (2) Requirements for AIM Phase 2 are currently being finalized to tender for an RfP; development will take place throughout 2018. Planned (1) Consolidation Phase (2) AIM Phase 2		Timelines February 2018 2018 Q1-Q2 2018 Q2 2018 - Q2 2019
3. Assurances	(2) Migration of all grants that will have active implementation in 2017 to GOS (ref. 1.2).	5. Additional Actions Needed		





14. Risk Management and Internal Controls				Residual Risk
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 for both grant-facing and internal risks.				GF Ability to Mitigate
Risk Impact Divergent understanding of risks leading to ambiguity in accepting or managing risks, and inconsistency in risk responses across Global Fund Country Teams and Global Risk Owners (GROs). Inadequate risk management and insufficient controls result in grants not meeting their objectives, reduced value for money, 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 adequately embedded into operation; hampering operationalization of first line and second line roles and responsibilities as outlined in the OPN on Risk Management Across the Grant Lifecycle (2) Limited understanding of clear accountabilities across the first two lines of defense; (3) Inadequate follow up of implementation of prioritized risk mitigations and assurances; (4) Lack of Board-approved Risk Appetite; (5) Uneven review of & decision-making on grant facing and by internal risks (6) Lack/non-use of standardized risk tools and approaches; (7) Inadequate assurance mechanisms; (8) Internal control gaps for key business	(1) Continued rollout of risk engagement in High Impact and Core countries as per the OPN, clarifying the roles and responsibilities of the first and second lines of defense (refs. 1.1-3); (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 (refs. 1.1, 1.5); (3) Operational Risk Committee / Portfolio Review committee driving greater focus on prioritized countries, key risks and mitigations linked to objectives and acceptance of risk (refs. 1.1, 1.5); (4) Integrated Risk Tool designed to facilitate improved and streamlined risk identification/planning of mitigations and follow up (refs. 1.5-6); (5) Risk & Assurance planning and execution roll-out continues, with expected coverage of all High Impact & Risk portfolios in 2018 (ref. 1.7); (6) Key Business Process Reviews leveraging the COSO Internal Control - Integrated Framework completed for 20 core business processes and improvement actions identified (ref. 1.8).	Ongoing (1) Ongoing risk oversight of funding requests, grant-making & approvals (82 funding requests reviewed across HI and core portfolios out of 112 recommended for grant making at windows 1, 2 and 3); (2) Roll-out and embedding of Risk & Assurance Planning Methodology into GMD continues (34 completed by December, the rest of High Impact and Core countries by 2018); (3) Ongoing Performance reviews of Annual Funding Decisions (AFD); (4) Work on advancing Risk Appetite ongoing with initial focus on grant-related operational risks: definition of current and target risk level including timeframe, actions to reach target and risk appetite statements (5) Ongoing monitoring and reporting of improvement and corrective actions to strengthen internal controls for key business processes (6) Development of Standard Operating Procedures for Operational Risk Management; (7) Progress towards key Secretariat-wide initiatives tracked in the Prioritized Action Plan (PAP) through 2017. Outstanding PAP actions will be integrated into the Strategic Implementation Plans (SIP), which tracks the Strategic Priorities. (8) Ongoing engagement with the OIG on audits and investigations including breakfast meetings to foster information sharing, inform views and collaboration; (9) Ongoing ORC review / country portfolio review of the flexibilities proposed by CTs managing CoE portfolios, and their risk exposure. Planned Strategic Initiative(s) (1) Development and roll out of the Integrated Risk Tool in a phased manner (2) Build-out of internal control environment through compliance and monitoring function; (3) Securing Board-approved risk appetite for selected grant facing risks; Other (1) Orientation on the assurance toolbox and handbook to institutionalize assurance options along with the IRT; (2) Operationalization of Risk Appetite-based decision making; (3) Transition from ORC to Portfolio Review Committee (4) Define methodology and undertake in-country Risk Reviews.		Timelines Q4 2018 (1-3) Q2 2018 Q4 2018 Q2 2018 Q4 2018 (7-9) Q1 2018 Q4 2018 Q2 2018 Q1 2018 Q4 2018 Q2 2018 Q1 2018
3. Assurances		5. Additional Actions Needed		
(1) Organizational Risk Register; (2) Integrated Risk Module (forthcoming); (3) Chief Risk Officer's Annual Opinion and Semi-Annual Risk Management Report; (4) OIG Annual Report and Opinion on Governance, Risk Management and Internal		(1) Approved Accountability Framework to be rolled out in the Secretariat.		





15. Foreign Exchange				Residual Risk	Risk Appetite ¹
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 the Global Fund.				Target Risk ¹	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 (FX Hedging Policy I), (ref. 1.1); (2) Global Fx Management Framework approved by the Audit and Finance Committee in 2016 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 well within the Fx limit.	Ongoing (1) Regular update to AFC on hedging position (see quarterly reporting to AFC); (2) Fx risk has decreased significantly since the end of December 2016, with net exposures being reduced through additional hedging (VaR to VaR limit ratio moved from 111.5% at the end of Q4 2016 to 51.1% at the end of Q4 2018, with VaR after hedges standing at US \$6.9 m). Planned (1) Implementation of multi-currency disbursements addressing in country Fx risks , Phase 1 (as approved by the AFC). This may result in an increase in TGF's risk level due to local currency exposures. (2) Integration of ALM cross-reference and investment rebalancing description into treasury procedure.		Timelines 2018-2022 (1-2) Q2 2018 Q1 2018	
3. Assurances					
(1) Treasury Dashboard; (2) Quarterly reporting to the Audit and Finance Committee (AFC).	5. Additional Actions Needed				
¹ Risk Appetite and Target Risk level will be filled in after approval by the Board.					





16. Governance and Oversight				Residual Risk
Risk Owner: EGC/OBA	IRT Category: N/A	Direction of Travel:	No change since last quarter	
Risk Description Failure to adequately respond to identified weaknesses in governance mechanisms, prioritize key issues, focus on practical outcomes and preserve institutional memory.				GF Ability to Mitigate
Key Countries/Components				
N/A				
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:
<p>(1) Board structure and composition are burdensome and misaligned with the changing environment in which the Global Fund operates;</p> <p>(2) Inadequate framework for managing Board-related conflicts of interest;</p> <p>(3) Inadequate link between the Board agenda and strategic objectives and/or the core Board functions;</p> <p>(4) Board papers not focused on information required by the Board for decision making or strategic input;</p> <p>(5) Unclear process and parameters for the Board, its leadership, Coordinating Group and Committees in defining and managing cross cutting issues;</p> <p>(6) Board unable to leverage work done at Committee level; Lack of trust between Board, Committees and Secretariat leads to a culture of over-consultation and the lack of confidence in delegating matters downward to be able to focus on Strategic elements.</p> <p>(7) Weaknesses in structures and processes that underpin the efficiency and effectiveness of the Board's operations;</p> <p>(8) Selection process for Board Leadership and Committee Leadership & members too focused on representativeness, weakening ability to ensure competency based selections;</p> <p>(9) Lack of a shared definition of good governance and expectations leads to inconsistent levels of engagement by Board constituencies and committees.</p>	<p>(1) Board decision to create a non-voting seat on the Board for donors who donate more than 10M in one Replenishment Period and who are not currently in a Board Constituency. Additional seat to also be added to committees. (ref. 1.1)</p> <p>(2) Ethics and Integrity Framework and Code of Conduct for Governance Officials approved by the Board in 2016 (ref. 1.2);</p> <p>(3) Criteria for strategic agenda development developed and utilized for 38th Board Meeting (Nov 2017) to be adopted for future Board meetings (ref. 1.3)</p> <p>(4) Standardized onboarding program for new Board leadership (ref. 1.1);</p> <p>(5) Board documents adapted to focus on strategic input needed for decision making. Secretariat writers trained in writing for Board. (ref. 1.4)</p> <p>(6) Risk Management now a standing item on Board and committee agendas (refs. 1.1-1.9);</p> <p>(7) Additional interview step introduced into Committee Leadership selection process as well as a competency based review of nominees. Competency based review also included for committee member nominees. (ref. 1.8);</p> <p>(8) Operationalization of the enhanced governance structure approved by the Board in Jan 2016. (refs. 1.1, 1.7).</p>	<p>Ongoing</p> <p>(1) EGC executing detailed work plan covering critical governance and ethics work streams; (covers all root causes)</p> <p>(2) Governance Action Plan developed to guide ongoing operationalization of Board governance reforms to increase Board and committee efficiency; (covers all root causes)</p> <p>(3) Criteria for strategic agenda development being developed for committee meetings. (ref. 1.3)</p> <p>(4) Onboarding Framework being developed to define and codify further enhancements of the standardized onboarding program to cover Board processes and expectations of Board Members, new committee leadership and members; (refs. 1.5; 1.6; 1.7; 1.8, 1.9)</p> <p>(5) Updated constituency guidelines being developed to provide best practice guidelines to Board constituencies on elements of constituency management; (refs. 1.7, 1.8)</p> <p>(6) Building on consultation at November 2017 Board Meeting, updated process for Board Leadership selection to be presented to EGC in March 2018, will include further consultation with Board. (ref. 1.8)</p> <p>(7) CG currently discussing a methodology to define the role of the Lead committee and how this can be used to better coordinate cross-cutting issues and shape Board agendas; (refs. 1.5; 1.7; 1.9)</p> <p>(8) Secretariat developing a draft Governance and Legal Framework document arising out of the MEC-approved Accountability Framework to define pathway from policy development to relevant approval authority. (ref. 1.7)</p> <p>Planned</p> <p>(1) Committee Leadership selection process lessons learned to be presented to EGC. (ref. 1.8)</p>		<p>Timelines</p> <p>Q1-Q2 2018 (1-8)</p> <p>2018</p>
3. Assurances		5. Additional Actions Needed		
<p>(1) Chief Risk Officer's Annual Opinion and Semi-Annual Risk Management Report;</p> <p>(2) OIG Annual Report and Opinion on Governance, Risk Management and Internal Controls of the Global Fund.</p>		<p>(1) No Board or committee annual performance assessments were conducted in 2017. Delay due to broad scope and prioritization of EGC Workplan. This is a requirement of the Board approved Governance Performance Assessment Framework (GF/B33/EDP18). It is anticipated that both Board and committees will undergo a performance assessment in 2018.</p> <p>(2) Several cross-cutting issues are addressed by all three committees. This can require some complex coordination and sequencing.</p>		







17. Organizational Culture				Residual Risk
Risk Owner: HR	IRT Category: N/A	Direction of Travel: 	No change since last quarter	
Risk Description The Global Fund culture requires positive synergy of 6 elements: integrity; respect passion; collaboration; innovation; and effectiveness. Risks affecting one or more of these elements can compromise the Global Fund's vision and commitments to combat the three epidemics and improve health systems.				GF Ability to Mitigate
Risk Impact Failure to uphold corporate values can result in a deterioration in the Global Fund's vision and its ability to tackle the three diseases.				
Key Countries/Components				
N/A				
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:   
(1) Tone from the top; (2) Historical factors affecting the culture; (3) Limited ability to create an appropriate incentive structure.	(1) Implementation of HR Strategy (refs. 1.1-3); (2) People management training for staff (refs. 1.2-3); (3) Employee wellness activities ongoing (refs. 1.2-3); (4) Code of Conduct for Staff, Bullying and Harassment Policy and updated disciplinary procedures facilitates enhanced accountability and control (refs. 1.2-3).	Ongoing Strategic Initiatives (1) Ongoing Human Resources Transformation Project focuses on improvements in culture and collaboration; 2016 Staff Engagement Survey follow-up facilitates ongoing management and staff focus on culture; (2) Ethics Office focus on operationalization of an ethics policy, integrity framework and monitoring the staff code of conduct; (3) High-level focus on culture and values as part of new People Strategy; (4) The move to the Health Campus is expected to enable the organisational values, especially in terms of collaboration and effectiveness Other (1) Senior management to continue addressing Engagement Survey Results; (2) Monitoring of the updated staff Code of Conduct and related HR policies;		Timelines 2018-2019 2018 (2-3) Q2 2018 2018 Ongoing
3. Assurances		Planned Strategic Initiative(s) Roll-out of awareness raising and related trainings on ethics and integrity as part of new culture project. Other (1) Ethics and HR working on an overall culture plan for the next 18 months to be presented to the incoming Executive Director; (2) Ethics Office: Speak up survey for all staff to be launched.		2018 Q2 2018 Q2 2018
(1) Ombudsman; (2) Staff Council.		5. Additional Actions Needed		


18. Ethics				Residual Risk
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.				GF Ability to Mitigate
Risk Impact Poor decision-making, potential fraud, financial loss, reputational damage, and/or failure to achieve strategic objectives. Ethics risks manifest themselves at three levels: 1) Board oversight; 2) Secretariat operations; and 3) country-level activities.				
Key Countries/Components				
N/A				
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). (6) Policy to Combat Fraud & Corruption (PCFC) was approved by the Board in November 2017 (refs. 1.1, .4).	Ongoing (1) Trainings on ethical conduct for staff and engagement with managers on weaknesses in staff engagement survey; (2) New Code of Conduct for CCMs with performance based enforcement mechanism for submission to Board in May 2018; (3) Implementation of Standard Operating Procedures for Ethics case management following the COSO review by the Risk Function; (4) Enhancement of CoI management process; (5) Fraud risk assessment.		Timelines Q1 2018 (2) Q2 2018 2018 Q4 2018 (4-5)
3. Assurances 3rd Line OIG audit/investigation and annual reports.		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.		Q4 2018 (1-2)
5. Additional Actions Needed				

19. Staff Health				Residual Risk
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, challenging management-employee relations, supervisory weaknesses, and possible violations of corporate values.				GF Ability to Mitigate
Risk Impact Deterioration of staff health leads to a decrease in productivity, a loss of institutional memory, and an ability to operate at optimal capacity leading towards declining operational and programmatic impact.				
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 Counsellor Guides developed about wellbeing; Mindfulness course open to all staff; Lunch-time sessions by Staff Counsellor; 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); (6) Manager roundtables to discuss staff health issues (refs. 1.1-4); (2) Manager training on team resilience (ref 1.4).	Ongoing / Completed Strategic Initiative(s) (1) Quarterly sessions for Heads of Department and Regional managers commenced with focus on employee and team wellness – first session held on 12 supporting employees absent for health reasons; booklet for managers developed and shared with all managers; (2) Three year divisional and departmental workplans being developed to align human and financial resources to the activities most critical to successfully deliver the Global Fund's Strategy, reducing workload on individuals and teams in the process. This also relates to Internal Operations, Fit for Future Initiative (see Tab 12). Planned Strategic Initiative(s) (1) Roll-out of awareness raising and related trainings on ethics and integrity as part of new culture project. Other (1) Ethics Office: Speak up survey for all staff to be launched.		Timelines 2018 (1-2) Q2 2018 Q2 2018
3. Assurances	5. Additional Actions Needed			
(1) Ombudsman; (2) Staff Council. (3) Occupational Health Provider	(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 as of mid 2017. The new data has led to a slight upward revision of the level of residual risk. (2) An initial HR analysis highlights that staff health issues are not widespread throughout the organization but targeted in certain areas which will need to be addressed. Lack of proper planning, ambitious annual plans, people management weaknesses and lack of resilience have been identified as causes.			

20. Future Funding				Residual Risk
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.				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> 2 <i>France</i> 3 <i>United Kingdom</i> 4 <i>Germany</i> 5 <i>Japan</i>	6 <i>European Commission</i> 7 <i>Canada</i> 8 <i>BMGF</i> 9 <i>Sweden</i> 10 <i>Italy</i>	11 <i>Netherlands</i> 12 <i>Norway</i> 13 <i>Spain</i> 14 <i>Australia</i> 15 <i>Denmark</i>	<i>Top 15 donors to the Global Fund (based on cumulative contributions as of the end of 2016)</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) Close monitoring of political transitions and building strong cross-party support for GF in key donor countries to address increasingly challenging political landscape. Political transitions in 2018-19 bearing monitoring: Germany (coalition negotiations), Italy (March 2018), US (House and Senate elections, November 2018), Sweden (September 2018), Australia (2019), Denmark (mid-2019), Belgium (mid-2019), European Commission (mid-2019), Canada (fall 2019) (2) 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, including through acceleration of private sector resource mobilization, exploration of innovative financing mechanisms, continued expansion of reach of GF advocacy and discussions with non-traditional donors interested to be part of governance (through recently created 'transitional' non-voting Board seat) (3) Negotiations of hosting arrangements for the Sixth Replenishment Preparatory Meeting and Pledging Conference with potential hosts in concert with key influencers and advocacy partners, with potential announcements in 2018 (4) Development of Investment Case with Replenishment target jointly with SI and in close coordination with technical partners that will serve as the center-piece of the Replenishment campaign, rally GF partnership and inform donor-country specific investment cases	Planned (1) Efforts to sustain and expand advocacy support base and to more systematically engage with smaller/returning OECD-DAC donors, including measures to decrease dependence of Civil Society advocacy partners on external funders (in context of 2018 Opex discussions, increased needs in terms of staff capacity flagged) (2) GFAN Meeting in late February 2018 and other platforms to update advocacy partners and gather inputs from them on Sixth Replenishment planning (3) Secure early pledge announcements from a number of major donors to create momentum leading up to Pledging Conference (4) Mapping/monitoring of developments with relation to multiple major replenishments in global health and other sectors planned over over 2018-2020	Timelines Ongoing Ongoing Q2-3 2018 (Prep); Q4 (Pledging) Q1-Q3 2018 2018-2019 2018 2018-19 2018-19
3. Assurances	(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, Dutch Scorecard).	5. Additional Actions Needed		

21. Privileges and Immunities				Residual Risk
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--particularly as it expands its activities into areas subject to national regulations, and its assets to enforcement measures.				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 vis-à-vis ratifying countries.				
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) 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. (4) Framework Agreement signed by 78 countries as of 1 October 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.	Ongoing (1) Focus on achieving 2 additional ratifications required for P&I Agreement entry into force. (2) Ethics and Governance Committee oversight of efforts to expand P&Is. (3) The Legal Department of the Global Fund will continue to engage with the 7 current signatories who have yet to ratify, accept or approve the P&I Agreement. The Legal Department and the PIAG will also pursue opportunities for new signings and ratifications.		Timelines Q3 2018 (1) Q1 2018; ongoing (2-3)
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.		

22. Reputation				Residual Risk
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.				GF Ability to Mitigate
				
Key Countries/Components				
N/A				
1. Root Causes	2. Current Controls & Mitigations	4. Progress on Ongoing & Planned Mitigations		Status:   
(1) Misleading news coverage can be influenced by political factors; (2) Complexity of global health operations prevent simple interpretation and allow misinterpretation; (3) OIG and other reports that identify misuse of funds; (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) Improved process controls through GOS; (3) Ethics review and operationalization of ethics related policies and codes of conduct, including Integrity Due Diligence. (4) Heightening awareness of this risk across the Secretariat; Planned (1) Leveraging Accountability Framework to improve management transparency and organizational processes.		Timelines Q4 2018 2018 Q4 2018 2018 Q4 2018
3. Assurances	5. Additional Actions Needed			
(1) Country Teams reports; (2) Risk Department reviews; (3) Communications Department.	(1) Reputational risk will continue to materialize at various levels over time and will need to be managed accordingly.			



The Global Fund's Organizational Risk Register

Definitions

Definitions for the Organizational Risk Register

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

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

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

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

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

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

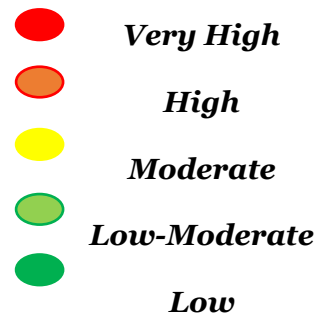
Progress of Ongoing & Planned Mitigations: This section reports on progress of risk mitigations in the quarter under review and is therefore likely to see the most updates quarter over quarter.

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

Residual Risk:

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

Risk Rankings 5-Point Scale



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

Direction of Travel (of level of residual risk):



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

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

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

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:

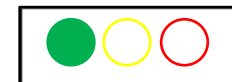
- 5: High ability to mitigate
- 4: Significant ability to mitigate
- 3: Moderate ability to mitigate
- 2: Minor ability to mitigate
- 1: Minimal ability to mitigate



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





39th Board Meeting

Risk Management Report and Annual Opinion

ANNEX 2: Progress Update – Prioritized Action Plan

For Information

GFC/B39/23

Skopje

09-10 May 2018



This document is part of an internal deliberative process of the Global Fund and as such cannot be made public until after the Board Meeting

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.**

- This report is the last update on deliverables in the Prioritized Action Plan.
- Initiatives remaining open at the end of 2017 as well as new risk management priorities (e.g. Risk Appetite) will be monitored and reported as part of the Strategy Implementation Plan (SIP) going forward.

Summary of December update



- The Prioritized Action Plan has been updated at the end of **December 2017**.
- Overall, the results are aligned to the Plan, as **92%** of deliverables are completed in line with the original or revised deadline.
- Out of the **12** deliverables to be completed between September and December 2017, **6** have been delivered. The other **6** have been re-prioritized, as illustrated in slide 4.
- As of today, **87%** of the overall PAP deliverables have been fully completed.
- The remaining **13%** represent a total of **10** deliverables remaining in the PAP as follows:

Initiative	# deliverables	Initiative	# deliverables
Risk & Assurance Plans	1	Procurement and Supply Chain Management (wambo)	2
Accelerated Integration Management (AIM) - IRT	1	Strategy Planning and Implementation	2
Co-Link: Strengthening Financial Management Capacity	1	Supply Chain Optimization including SC Assurance	3

Since last progress update: 6 deliverables completed, 6 delayed

Deliverables completed between September and December 2017 (4 months)

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
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
Assurance	Roll out assurance planning in phased manner (Q2 2017 – 12)	Completed Key Risk Matrix Assurance Assessment	Oct-17
Strengthening Internal Controls of Key Processes & Risk Oversight	Perform risk and control review and strengthen internal control design of remaining 8 core processes, including new differentiated grant management and updated procurement processes	Internal controls for updated procurement, grant management and remaining core processes strengthened and formalized	Dec-17
Supply Chain Optimization	Roll out in selected country	Assurance providers selected	Sep-17

Since last progress update: 6 deliverables completed, 6 delayed

Deliverables due between September and December 2017, and delayed

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline	Revised Deadline
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. Countries are Sierra Leone, Liberia and Sudan	Consolidated cost country action plans to address financial management gaps with clear roles and responsibilities	Dec-17	Mar-18
Assurance	Roll out assurance planning in phased manner (Q4 2017 – 12)	Completed Key Risk Matrix Assurance Assessment	Dec-17	Jun-18
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	Feb-18
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	Feb-18
Supply Chain Optimization	Diagnostic finalized for 5 other countries	Diagnostic document	Dec-17	Dec-18
Supply Chain Optimization	Diagnostic finalized for 7-12 new countries	Diagnostic document	Dec-17	Dec-18

➤ See following slide for detailed rationale for delayed deliverables

Rationale for deliverables delayed at end December 2017

Deliverables that are delayed or for which scope has changed

Project / Initiative	Rationale
Co-Link: Strengthening Financial Management Capacity	<ul style="list-style-type: none"> 3 country joint assessments (Liberia, Sudan & Sierra Leone) have been undertaken. Sierra Leone's plan has been finalized and is in advanced implementation. Draft plans have been prepared for Liberia and Sudan. Work is ongoing to finalize plans for Liberia and Sudan as top priority for IHP+ in Q1 2018.
Assurance	<ul style="list-style-type: none"> The emphasis on grant-making in 2017 has contributed to lower than expected coverage in the last cohort of countries targeted for assurance rollout. However, through grant-making, the Risk Department was able to have a view on the key residual risks in most portfolios reviewed by the GAC. A total of 34 Assurance Plans have been completed to date. Of the 12 assurance plans to be completed by Q4 2017, 4 were completed on time. The remaining 8 countries will be prioritized as part of the 2018 rollout.
Accelerated Integration Management (AIM)	<ul style="list-style-type: none"> The launch of the Integrated Risk Management module was rescheduled to February following data model challenges. UAT scheduled to begin late January and end early February, followed by 3 weeks of Hypercare.
Strategy Planning and Implementation	<ul style="list-style-type: none"> The organization has moved to the development of a 3 year work plan (2018-2020) and a detailed 1 year work plan (2018). Both scheduled to be finalized by end Feb 2018.
Supply Chain Optimization	<ul style="list-style-type: none"> Roll out of diagnostics in key countries has been delayed. By the end of 2017, a total of one diagnostic has been completed and seven more are currently in progress. As the team builds on lessons learned and vendors become familiar with organizational expectations, it is expected that the pace of implementation will pick up. This deliverable is also being monitored as part of the SIP, for which the target has been realigned with plans to see a total of 20 diagnostics initiated by the end of 2018.

Going forward, 1 deliverable still due for completion will be transferred to the SIP

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline	Transfer to SIP
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*	✓

* Study to analyze possible future scope of Wambo.org, led and funded by the Gates Foundation, has started; completion date TBD.

Going forward, 6 deliverables still due for completion will not be transferred as they are already being monitored in the SIP

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline	Transfer to SIP	Rationale
Supply Chain Optimization	Diagnostic finalized for 5 other countries	Diagnostic document	Dec-18	✗	Already monitored in SIP
Supply Chain Optimization	Diagnostic finalized for 7-12 new countries	Diagnostic document	Dec-18	✗	Already monitored in SIP
Supply Chain Optimization	Develop and implement transformative programs for wave 2 countries	Project implementation plan	Dec-18	✗	Already monitored in SIP
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. Countries are Sierra Leone, Liberia and Sudan	Consolidated cost country action plans to address financial management gaps with clear roles and responsibilities	Mar-18	✗	Already monitored in SIP
Assurance	Roll out assurance planning in phased manner (Q4 2017 – 12)	Completed Key Risk Matrix Assurance Assessment	Jun-18	✗	Already monitored in SIP
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	✗	Already monitored in SIP

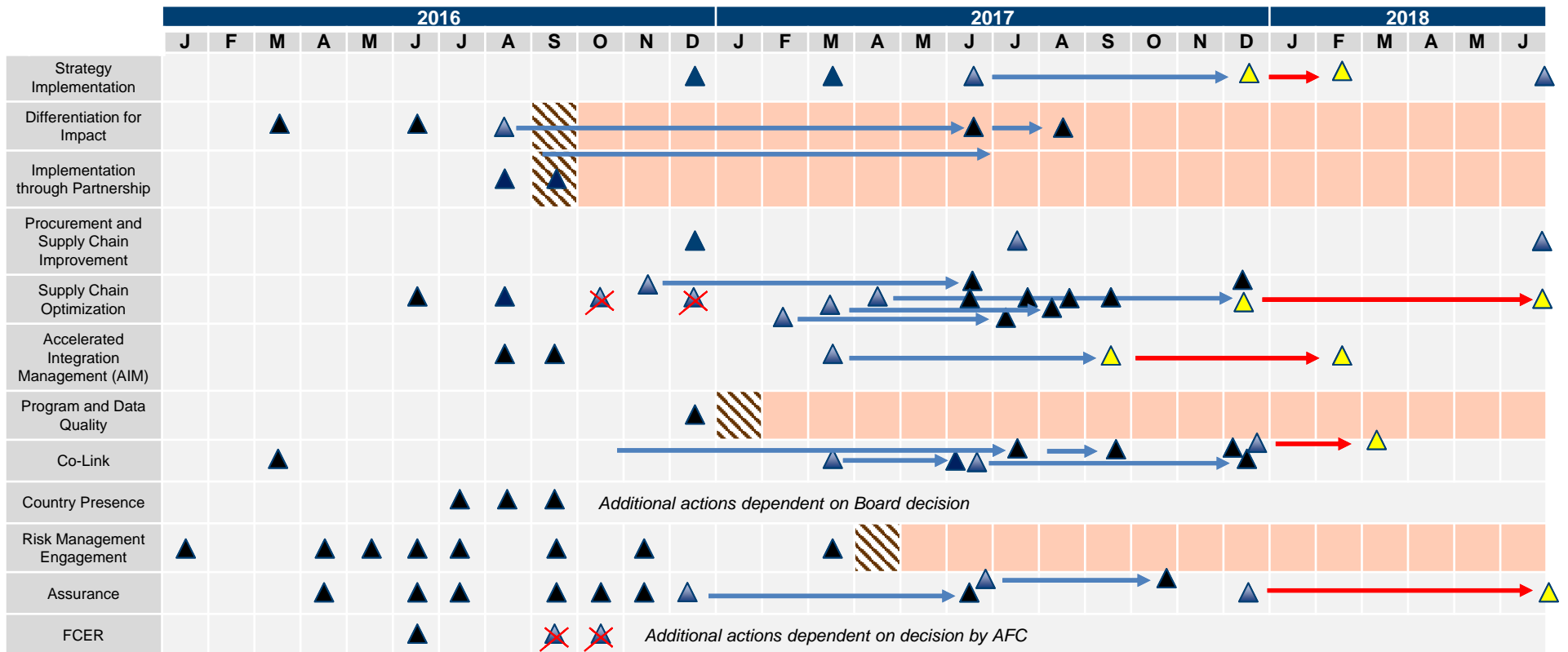
Going forward, 3 deliverables still due for completion are proposed to be discontinued

Action Type	Task	Deliverable/Action/Milestone	Latest Deadline	Transfer to SIP	Rationale
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.	Feb-18	X	The Integrated Risk Module will be completed before the 2018 SIP is launched in February 2018. Further enhancements to the IRT will be tracked under a separate 2018 SIP deliverable.
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	Feb-18	X	The 2018-2020 work plan will be completed before the 2018 SIP is launched – scheduled for February 2018.
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	Feb-19	X	Policy Hub has proposed not to migrate these actions into the SIP, as it will be the work plan itself that forms the basis of SIP deliverables going forward.

APPENDIX

Timeline & Milestones

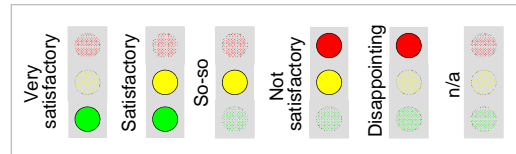
- ▲ Key Milestone / ▲ Completed Milestone
- ▲ Postponed Milestone
- Project moved to mainstream
- Deliverables cancelled
- Project fully completed
- Postpone during current cycle



Deliverables Update Report

Current status of key initiatives

Indicator



Bold: Delivered from Sep to Dec

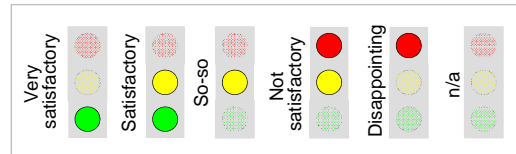
Light Grey: Delivered before September

<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 December 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 December 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 December 2017</p>

Deliverables Update Report

Current status of key initiatives

Indicator



Bold: Delivered from Sep to Dec

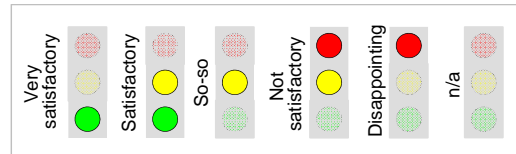
Light Grey: Delivered before September

<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 December 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 December 2017</p>
<p>Financial Management Capacity (Co-Link)</p>		<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 EGMC Approved financial management handbook published on the Global Fund website Optimized Tom2Pro through an innovative partnership with the software developer for 10 (3 pilots + 7) francophone countries Visible improvement in financial management practices, internal controls and reporting in 10 countries 	<p>End of December 2017</p>

Deliverables Update Report

Current status of key initiatives

Indicator



Bold: Delivered from Sep to Dec

Light Grey: Delivered before September

Supply Chain Optimization



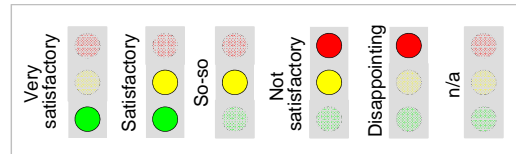
- Document of network design
- Agreement from countries to participate
- Request for Proposal for support to carry out project
- LMIS installed and ready for inspection
- Report to evaluate and assess the current state of the strategy
- Diagnostic document for 3 countries
- Review of key assurance needs 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
- **Assurance providers selected**

End of December 2017

Deliverables Update Report

Current status of key initiatives

Indicator



Bold: Delivered from Sep to Dec

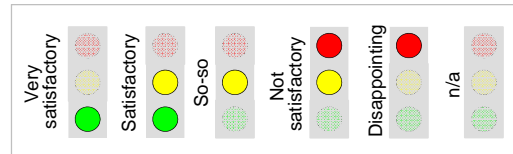
Light Grey: Delivered before September

<p>Program and Data Quality</p>		<ul style="list-style-type: none"> Rollout GF Strategy for Program and Data Quality Improvement 	<p>End of December 2017</p>
<p>Country Presence Model</p>		<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 	<p>End of December 2017</p>
<p>Strengthening Internal Controls of Key Processes & Risk Oversight</p>		<ul style="list-style-type: none"> Internal controls for 12 core processes strengthened & formalized (80% COSO compliant) Internal controls for updated procurement, grant management and remaining core processes strengthened and formalized 	<p>End of December 2017</p>

Deliverables Update Report

Current status of key initiatives

Indicator



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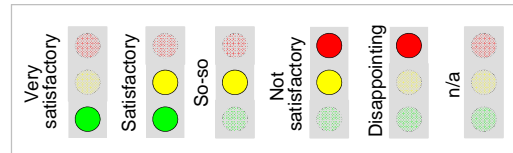
Light Grey: Delivered before September

<p>Assurance Practices</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 Roll out assurance planning in phased manner (Q2 2017 – 12) 	<p>End of December 2017</p>
<p>FCER (Financial Control Environment Reviews)</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 December 2017</p>

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<p>Risk Management Engagement</p>	<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 December 2017</p>
<p>Project Management</p>	<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 December 2017</p>