

Rapid Assurance Review Report

Rapid Assurance Review: Reduction of GC7 Country Allocations

GF-OIG-25-013
4 September 2025
Geneva, Switzerland



What is an OIG Rapid Assurance Review?

An OIG rapid assurance review is a focused, quick turnaround review that provides limited, timely, risk-based assurance on a subject matter or process while it is being designed and implemented. This type of review is particularly well-suited for 1) situations where major decisions must be made quickly and with incomplete information, 2) where critical processes do not yet exist but are urgently needed, or 3) during organizational crises and emergency scenarios.

The primary purpose is to provide assurance in a fast-moving setting, facilitate early identification and resolution of governance, risk, and control issues and support the development of an appropriate, fit-for-purpose process. It seeks to assure the Board that the processes have been designed and materially implemented in an appropriate way, recognizing the evolving operating context.

As the context includes extraordinary circumstances and limited reliable or available data, the level of assurance the OIG provides through these reviews is more limited than standard OIG audits.

The OIG takes a variety of measures to mitigate two inherent risks with these type of reviews:

- (i) Quality risks, due to the need to provide assurance within a short time-frame and
- (ii) Independence risk, as interim, iterative feedback is provided to the management as a process is developed.

The OIG sought advice from industry experts to ensure the approach is aligned with internal audit standards. Quality checks have been built in to provide assurance regarding the quality of supervision and audit evidence.

The OIG provides insights to management to support decision making, but does not make executive decisions. The Global Fund Secretariat owns the process.



1 Executive Summary

Background	<p>The funding landscape for global health programs has changed rapidly since the beginning of 2025. In response to uncertainty regarding external funding, the Global Fund developed mid-cycle adaptations and phased measures; the principles for these were discussed with the Global Fund Board and designed and implemented by the Global Fund Secretariat.</p> <p>These measures include the reduction of Grant Cycle 7 (GC7) country funding envelopes and program reprioritization using a streamlined grant revisions process. Reduction of GC7 Country Allocations is also the upstream starting point of a broader process to re-prioritize and revise GC7 grants to adapt to smaller country funding envelopes.</p>	
Process Overview & Scope	<p>To reduce GC7 funding budgets, a formulaic approach was developed, reducing all projected unexecuted grant funds by the same percentage. This was followed by a qualitative adjustment stage to allow for changes to final amounts. In line with the approach discussed with the Board in May 2025, the Secretariat has reduced GC7 funded county envelopes by US\$1.43 bn, reducing GC7 country budgets by an average of 11%.</p> <p>The OIG rapid review covered this process from formulaic reductions to communication of final revised GC7 country funding envelopes to governance bodies. The OIG review concluded its work at the point of communication to the governance bodies.</p> <p>The OIG did not opine on the design of the methodological formula ("reduced proportionally unexecuted funds"), the communication of revised country funding envelopes & indicative grant budgets or the process to reduce Catalytic Investments.</p> <p>Due to the nature of the subject and context, including gaps in available information, the level of assurance the OIG provides in this report is lower than in a standard OIG assurance report.</p>	
Review questions and observations	Review Questions	Observations
	Was the process to reduce GC7 Country Allocations designed and implemented appropriately?	<p>The process was appropriately designed and implemented. No material issues were identified in the management assumptions leveraged or data used, in the context of limited data in some areas. The process achieved a reasonable level of robustness, commensurate to the need to support a 11% reduction in budgets.</p> <p>There was a reasonable balance between speed of completion and the robustness of the process: the process was completed within 6.5 weeks, alongside ongoing Secretariat activities, with checks and balances established to safeguard quality. Some opportunities and future risks were identified for consideration. See section 4.</p>
	Was the quantitative formula implemented in a reasonable and appropriate manner?	<p>The formula was implemented in a reasonable, equitable and appropriate manner. GC7 grants were reduced using a consistent formula, proportionally reducing unexecuted grant budgets. The assumptions used to estimate unexecuted budgets were reasonable and based on materially accurate data points. This ensured grant budgets were equitably reduced, based on estimated unexecuted funds.</p>
	Were the processes over qualitative adjustments (QA) designed appropriately and implemented in a reasonable manner?	<p>The QA process was reasonably well implemented, given the context in which the process was occurring. Multiple layers of Secretariat review were conducted to add robustness to the process, and enhance consistency across portfolios.</p>
	Was the reporting to governance bodies sufficiently reasonable and appropriate?	<p>Reporting to governance bodies included sufficient level of detail to convey both the aggregate impact of the reduction at a macro level, and its implications at the portfolio level.</p> <p>Reporting effectively outlined the movement of funds across key dimensions, and was produced in a timely manner.</p>
OIG Rating	No material issues noted	

2 Background and context

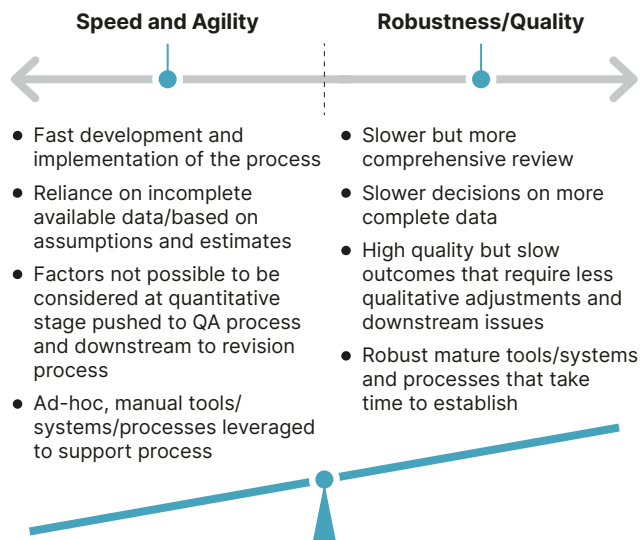
Rapidly evolving health financing landscape

There have been significant shifts in external health financing since January 2025. Uncertainty in GC7 Global Fund donor pledge conversion, coupled with major shifts in partner support at country level, required the Global Fund to respond in a multi-pronged manner.

Tension between speed and agility versus quality and robustness

Executing mid-cycle reduction of GC7 country budgets required swift action, creating a tension between speed and the robustness of the process. All associated risks had to be carefully weighed, balancing agility with the level of rigor required under the current circumstances.

The key overarching risks to be managed were: (i) risk of countries spending at a higher level vs. the funding available and (ii) the potential delay in finalizing revised GC7 country envelopes, which could compromise the time available for effective implementation.



Secretariat response to support countries and strengthen Assets and Liabilities Management

New mid-cycle adaptations and phased measures were designed and implemented by the Global Fund Secretariat, including: OPEX specific levers; the slow down of grant activity at country level; the reduction of Grant Cycle 7 (GC7) country allocations; program reprioritization through grant revisions. Key milestones include:



These are a part of a broader set of Secretariat adaptations and measures to manage the organization's overall financial position in a cohesive manner. In addition, throughout 2025, the Secretariat has been closely monitoring funding sources, pledge conversions, and grant commitments as a part of the Secretariat's Assets & Liabilities Management (ALM). Due to uncertainties in pledge conversion rates and payment timelines, the Global Fund forecasted a potential mismatch between current grant commitments and available resources. Reduction of GC7 country allocations is an important measure to help maintain a positive position in the ALM and ensure compliance with the organization's Comprehensive Funding Policy (CFP)¹.

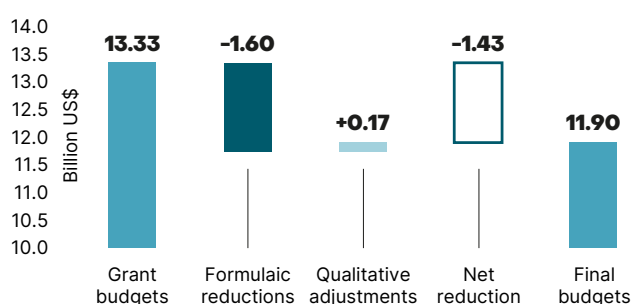
The Global Fund Secretariat process to reduce GC7 country allocations

The process was completed in 6.5 weeks. It began with the internal communication of a range of reduction, and culminated with reduced country funding envelopes and indicative grant budgets being shared with in-country stakeholders.

The process followed an initial formulaic reduction² across unexecuted budgets for all grants, followed by a Qualitative Adjustment (QA) process to consider country context. Reduced country envelopes were communicated to in-country stakeholders by the 30 June 2025. The process is followed by a programmatic re-prioritization exercise through grant revisions.

The formulaic approach initially resulted in a proposed reduction of US\$1.6 bn, representing 12% of the original budget or 16% of projected unexecuted budget.

This was followed by a qualitative adjustment process, which considered factors such as portfolio context, the impact of bilateral funding (based on available information), COE³ status, STC⁴ considerations, and critical programmatic gaps. Upward QA adjustments of US\$ 166 mn were awarded, resulting in the final reduced amount of US\$ 1.43 bn, equivalent to 11% of the original budget or 15% of the projected unexecuted budget.



1. Link to Comprehensive Funding Policy, The Global Fund (last accessed on 12 August 2025)

2. Formulaic calculation sets aside funds that have already been executed and makes proportional reduction to the remaining GC7 funding

3. COE - Challenging Operating Environment

4. STC - Sustainability, Transition and Co-financing

3

Background: Process steps: May to July 2025⁵

1. Formulaic Reduction >>	2. Qualitative Adjustments (QA) >>	3. Communications
i Data provision on executed funds & Implementation of deallocation formula 16 May to 27 May <ul style="list-style-type: none"> Data on budgets, executed funds and range of reduction shared by Finance department Formulaic reduction applied across all grants by SPH⁶ Range of indicative country funding envelopes & grant budgets shared with GMD/SIID⁶ Final target to reduce provided by Finance - as approved by the Executive Director and following MEC engagement Formulaic reduction applied on unexecuted budgets for all grants Reduced grant and country budgets shared with wider Secretariat 	ii GMD/SIID review of revised grant amounts & country envelopes 28 May to 10 June <ul style="list-style-type: none"> GMD & SIID review of reduced country funding envelopes & grant budgets If necessary, adjustments (increase or decrease) proposed with rationale for reduced country envelopes iii SPH / Finance review of proposed country & grant adjustments 11 to 15 June <ul style="list-style-type: none"> SPH & Finance review of the proposed country & grant adjustments Consistency and stress tests conducted on country and grant budgets after adjustments Preparation of a recommended country-level adjustments proposal iv Central QA process to decide on final increases/decreases to envelopes 16 to 18 June <ul style="list-style-type: none"> Qualitative adjustments decided by QA panel based on SPH/ Finance proposals and Central QA deliberations. Final QA amount together with additional awards based on Senior Leadership review and decision circulated for GMD/SIID final comments and alignment Reduced country and grant budgets finalized (including any Qualitative Adjustments) 	v Communication of outcomes to PRs, CCMs and Governance bodies 19 June to 7 July <ul style="list-style-type: none"> Revised country funding envelopes & indicative grant budgets communicated to PRs/CCMs^{6,7} Outcome reported to Governance bodies

5. Guidance on Qualitative Adjustments (QA) for the GC7 reduced funding amounts

6. SPH: Strategy & Policy Hub; GMD: Grant Management Division; SIID: Strategy Investment & Impact Division; CTs: Country Teams; PRs: Principal Recipients; CCMs: Country Coordinating Mechanisms

7. The communication of revised country funding envelopes and indicative grant budgets to in-country stakeholders was not covered in this review. It will be reviewed in a subsequent planned OIG Rapid assurance review on the grant revision process.

Detailed Observations: Formulaic Reductions

Work performed in OIG Assurance Review

Processes reviewed

- Assumptions used to determine the total reduction amount.
- The reasonable completeness and accuracy of data sources in the current context.
- Assumptions used to arrive at projected executed expenditure:
 - Determination of average spend rate
 - Basis of calculation and consistent application of assumptions
- Consistent application of the formulaic reduction through all grants on unexecuted budgets.

Processes not reviewed

- Design of the methodological formula ("reduced proportionally unexecuted funds") as this was presented to and discussed with the Board in May 2025.

Observations

Process sub-step

OIG opinion

Determine final reduction amount

This amount to be reduced was based on management assumptions and detailed scenario planning regarding conversion of GC7 donor pledge amounts.

The Secretariat's management assumptions around this process sub-step were **reasonable**. The assumptions were materially accurate and confirmed by subsequent progress in converting outstanding pledge amounts.

Calculation of projected unexecuted amounts

GC7 unexecuted grant budget amounts were reduced through a formulaic approach. Projected expenditure levels for each grant were forecast to determine the amount of unexecuted funds as of 30 June 2025.

A model was developed using a combination of financial data and management assumptions; including information on grant budgets and expenditure. The Finance Department utilized several management assumptions to forecast projected expenditure as of 30 June 2025. This included the use of a smoothing factor to calculate forecast expenditure based on prior trends.

The Secretariat's **management assumptions were reasonable** and the data underlying the formula model was **materially accurate** with **no major issues** noted.

Assessment of the accuracy of the projected expenditure as of 30 June 2025 would only be possible once validated actual financial expenditure data is received by the Global Fund Secretariat in the latter half of 2025 and thus is outside of the timeframe of this review. However, the **approach used for this assumption was reasonable**.

Application of formulaic reduction

The formulaic reduction was applied by the Secretariat through the model.

The Secretariat's application of the formula was **reasonable**. A consistent formula was applied across all grants (reduction of 16% on projected unexecuted budgets). This ensured that each grant budget was **reduced proportionally and equitably** based on its share of unexecuted funds, promoting fairness and transparency in the process.

Detailed Observations: Qualitative Adjustments (QA) 1 of 2

Work performed in OIG Assurance Review

Processes reviewed

- Design of the QA process, including the roles, responsibilities and accountability of different Secretariat stakeholders.
- Implementation effectiveness of the internal controls around the QA process including;
 - Engagement with a sample of Country Teams to understand the approach taken at various stages since the implementation of contingency measures
- Reliability of data and assumptions used during the QA process.
- Design and effectiveness of input from Secretariat stakeholders.

Processes not reviewed

- None.

Observations

Process sub-step

OIG opinion

Proposals for QA adjustment

There was a tiered Secretariat approach taken to generate and review QA proposals for QA:

- **Country Team Level:** Country Teams (CTs) developed initial QA proposals at the grant and country level, with input from technical specialists in the extended CT.
- **GMD department level:** These were consolidated at the GMD department and reviewed by individual GMD department leadership, where further input from Secretariat technical teams was obtained.
- **GMD division level:** Proposals were consolidated across all GMD departments and reviewed by GMD leadership before formal submission to the SPH and Finance department.

The QA proposals approach was **reasonable** given the context. It balanced the need for swift decision making along side robustness as the tiered review approach allowed for several opportunities to review QA proposals.

There was **proactive engagement between Country Teams with in-country stakeholders** since April 2025. In several sampled countries, early discussions took place on scenario planning, efficiencies, and priorities within the grants, in advance of the process start. This helped to pre-empt challenges and to plan for funding reductions to allow for more rapid decision making during the QA process.

Despite the short timelines, **there were good levels of coordination, collaboration and engagement between different Secretariat operational and technical teams**. Multiple teams⁸ were involved in the various process steps, supporting early alignment. There were different approaches taken in obtaining this engagement and there was some variability in the involvement of Secretariat technical teams but did not have a material impact on the outcome of the process.

8. Including Grant Management Division (GMD), Strategic Investment and Impact Division (SIID), Supply Operations (SO), Finance & Administration (F&A), Legal and Governance (L&G) and External Relations and Communications department (ERCD).

Detailed Observations: Qualitative Adjustments (QA) 2 of 2

Work performed in OIG Assurance Review

Processes reviewed (as before)

- Design of the QA process, including the roles, responsibilities and accountability of different Secretariat stakeholders.
- Implementation effectiveness of the internal controls around the QA process including;
 - Engagement with a sample of Country Teams to understand the approach taken at various stages since the implementation of contingency measures
- Reliability of data and assumptions used during the QA process.
- Design and effectiveness of input from Secretariat stakeholders.

Processes not reviewed

- None.

Observations

Process sub-step

OIG opinion

Consistency checks and stress tests on reduced budget and QA proposals

A series of consistency checks, and stress tests were conducted on GMD's proposals by the SPH team and Finance department.

This included consistency checks assessing the proposal's impact by cohorts of countries e.g. COE status, income level, region and portfolio classification. Several finance stress tests were conducted leveraging health product budgets and quarterly expenditure data to sense check assumptions made.

The approach to checks and tests were **reasonable**. They supported the process by providing additional safeguards and quality checks on QA proposals. These checks enabled:

- An opportunity for more data driven insights to be considered to sense check proposals.
- A more consistent approach to reviewing proposals
- Further tailoring of adjustments to country contexts.

Central QA process

An open session with representatives from all relevant Secretariat Teams was conducted to discuss QA proposals. Multiple countries and grants were flagged for open discussion and recommendations on updated QA proposals were agreed during the session.

The Central QA process was reasonably well-structured, inclusive, and collaborative. It allowed for further review and challenge of QA proposals in a transparent and collaborative manner across Secretariat teams.

Adjustments after the Central QA

Further analysis was conducted⁹ and inputs sought to assess the appropriateness of QA proposals and final reductions. This included additional inputs from Secretariat senior leadership, GMD and Secretariat technical teams.

Additional awards and reversals of QA reductions were granted. These informed the final reduced country allocations.

The adjustments made after the Central QA process established more safeguards and quality checks on QA proposals, reinforcing the integrity of the process.

It allowed a further opportunity for Secretariat teams to sense-check reduced amounts before being finalized, and re-enforce the quality of the final reduced amounts.

9. Linked to considerations relating to Cost of Essential Programming (CoEP), specific health financing contexts and other factors

3.3

Detailed Observations: Communication

Work performed in OIG Assurance Review

Processes reviewed

- Assessment of any gaps in the level of details reported to Governance bodies.
- Timeliness of reporting of outcomes.
- Assessment of material deviations (if any) from prior board inputs/discussions.

Processes not reviewed

- Communication of country funding envelopes & indicative grant budgets to PRs/CCMs as this process will be reviewed as a part of subsequent OIG rapid assurance reviews covering grant revision implementation for a sample of material portfolios.

Observations

Process sub-step

OIG opinion

Reporting of outcomes on GC7 reduced country allocations to Governance bodies

Reporting on GC7 reduced country allocations was shared with the Global Fund Strategy committee on 03 July 2025. It was subsequently presented during the 28th Strategy Committee meeting between 07-08 July 2025.

Reporting to governance bodies included **sufficient level of detail** to convey both the aggregate impact of the process at a macro level and its implications at the portfolio level.

Reporting **effectively outlined the movement of funds across key dimensions**, including Challenging Operating Environments (COEs), low-income countries, countries with the highest disease burden, and various geographic regions.

Reporting was produced in a timely manner, within 3 days of completing the communication of new GC7 country funding envelopes and indicative grant amounts to in-country stakeholders.

4

Future risks and opportunities for consideration 1 of 2

Opportunities and future risks for consideration

There are some forward-looking risks that the process to reduce GC7 country allocations does not address either by design or due to factors outside of the span of control of the Secretariat. While this process does not eliminate all future residual risks, the OIG confirmed that there is on-going work to monitor and mitigate these risks where possible.

1 Limitations in available data and understanding of bilateral funding changes



Bilateral funding information should play a critical role in the process. However, information regarding bilateral funding was not fully available to the Secretariat at the time of the OIG review. As a result, the potential impact of shifts in bilateral funding could not be consistently factored into the QA adjustments proposed by the Secretariat. This may mean some portfolios may require further material changes to their GC7 grants once more information is known.

The Secretariat could consider working with in-country stakeholders to develop additional scenario plans for key countries where further material changes to bilateral funding are more probable. These could include a range of potential bilateral funding changes. This could also be supported by further internal Secretariat guidance on the different tools and approaches at the disposal of Country Teams and in-country stakeholders to respond to new bilateral funding information.

This would complement existing efforts by the Secretariat to engage across the partnership landscape at global, regional and country level to pre-empt and identify changes to bilateral funding for the three diseases.

2 Future volatile changes in market prices



Health and non-health product and equipment pricing is a key assumption in GC7 grant budgets. In the current context, there is an increased risk of unpredictable changes in pricing that can render the current budget assumptions obsolete.

Future price changes may require further grant adjustments through more targeted and material grant revisions. These may reverse decisions made during the process to reduce GC7 country allocations.

No new avenues are being proposed for the Secretariat to consider. There are existing proactive efforts by the Supply Operations department to ensure pricing is routinely monitored and where possible stabilized through early and active engagement with vendors. This has helped stabilize pricing for several key health and non-health products and equipment throughout 2025. In addition, work was undertaken to update product reference prices to ensure grant budgets reflect the most up-to-date data.

4 Future risks and opportunities for consideration 2 of 2

Opportunities and future risks for consideration

There are opportunities to further enhance the process if a) it is needed to be repeated and b) it was to support a more significant reduction in funding:

1 Additional buffer for future adjustments



The Secretariat could consider using this process to create an additional funding buffer that could be re-allocated to countries at a later point in the cycle, dependent on the context. This would involve deallocating more in the short-term to create a centralized funding buffer. This would give flexibility to the organization to respond to further material changes if there is a high probability of these occurring e.g., volatile bilateral funding. There is a trade-off with this approach; there are administrative and programmatic costs to both the Secretariat and in-country stakeholders to be considered in connection with a larger deallocation amount in the short term, as well as additional work to allocate and integrate additional funding later.

2 Upfront clarity on dealing with recoveries and co-financing penalties



The Secretariat could improve the efficiency of the process by clarifying how and when open recoveries and co-financing penalties are addressed. In the first attempt of this process, Secretariat performed work to identify these amounts, propose QA and deliberate on it. Ultimately, all such reduction related QA proposals were reversed (as these would follow the standard process outside of QA). This created inefficiencies in the approach, and additional work that could be avoided in future iterations.

3 Explore further how Upper-Middle-Income (UMIs) countries and countries with greater domestic capacity can be assessed and leveraged



The Secretariat could consider a more robust approach to obtaining more up-to-date estimates and actual health financing budgets and expenditure plans, where available, to inform decision making. Allowing for the current context and variables, this could include maintaining and leveraging more granular government financing budgets, expenditure plans and projections for key portfolios to assess greater domestic capacity. This would complement the existing macro data sets and global estimates that were collected and leveraged.

4 Prevent regional netting off⁸ in initial QA proposals



The Secretariat could consider strengthening the guidance and review checks when proposals for QA are submitted by GMD, to prevent or detect any regional netting off¹⁰, early in the process. This would ensure needs across department are identified and considered in QA proposals.

Initial QA proposals from GMD were materially netted off within each GMD department¹¹, resulting in regional trade-offs without necessarily considering broader global priorities. Ultimately all QA driven by regional netting off were identified and reversed through the Central QA process and subsequent additions/reversals. This created some inefficiencies in the approach, that can be avoided if applied again in the future.

5 Further strengthen governance reporting



The Secretariat could consider adding some additional information in reporting to governance bodies, to enhance transparency:

- On the data limitations in the process. For example, highlight gaps in information on USG funding or on domestic financing capacity¹².
- On the process: for example, more detail provided on the steps taken to give more comfort to the governance bodies on the robust, consultative and collaborative process taken.
- On instances where some portfolios received adjustments due to more than one factor: Some portfolios received QA due to multiple factors, however, this was not reported in detail.

10. QA proposals submitted by GMD focused on regional needs, based GMD department classification versus broader global needs.

For example, upwards adjustments in one portfolio were netted-off from downward adjustment in another from the same GMD department. This resulted in trade-offs within the same region without considering broader global needs.

11. Global Fund Organizational Chart www.theglobalfund.org/media/10629/core_organizational_chart_en.pdf (last accessed on 14 July 2025)

12. There were verbal discussions held with the Board, highlighting some of these limitations.

Annex 1


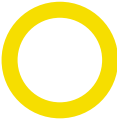


Rapid Assurance Review Rating and Methodology

Rapid Assurance Reviews conducted by the OIG follow the principles of internal auditing as defined by the Global Institute of Internal Auditors. These reviews are guided by international standards for the professional practice of internal auditing and the IIA Code of Ethics, ensuring the quality, consistency, and professionalism of the OIG's work. OIG developed a methodology for Rapid Assurance Reviews which provides guidelines for the conduct and management of such reviews. The methodology is further supported by the OIG's Charter, Audit Manual, Code of Conduct, and the specific terms of reference for each engagement, which collectively safeguard auditor independence and uphold the integrity of the review process.

Rapid assurance reviews provide limited, timely, risk-based assurance on a subject matter or process while they are being designed and implemented. They assess the adequacy and effectiveness of governance, risk management, and internal control processes, with a particular emphasis on early identification of issues and support the development of an appropriate, fit-for-purpose process. These reviews may rely on a combination of targeted testing, interviews, documentation reviews, and triangulation with other assurance sources to form a balanced and evidence-based conclusion.

The rating methodology used in Rapid Assurance Reviews reflects the degree to which governance, risk, and control processes are designed and operating effectively to support the achievement of intended objectives. Ratings are assigned based on the nature and severity of issues identified, the reliability of available evidence, and the context in which the review is conducted.

Rapid Assurance Review Rating Classification

Rating	Definition
 No material issues noted	No issues or few minor issues noted. Internal controls, governance and risk management processes were reasonably designed and implemented, given the context, and materially effective to support the achievement of intended objectives.
 Some concerns noted	Moderate issues noted. Internal controls, governance and risk management processes were reasonably designed and implemented, given the context, but one or a limited number of issues were identified that may present a moderate risk to the achievement of intended objectives.
 Significant issues noted	Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of intended objectives is seriously compromised.
 Not able to conclude	A conclusion could not be reached due to insufficient, incomplete, or unreliable information. The design and/or implementation of internal controls, governance, and risk management processes could not be adequately assessed, and the effectiveness of these processes remains undetermined.