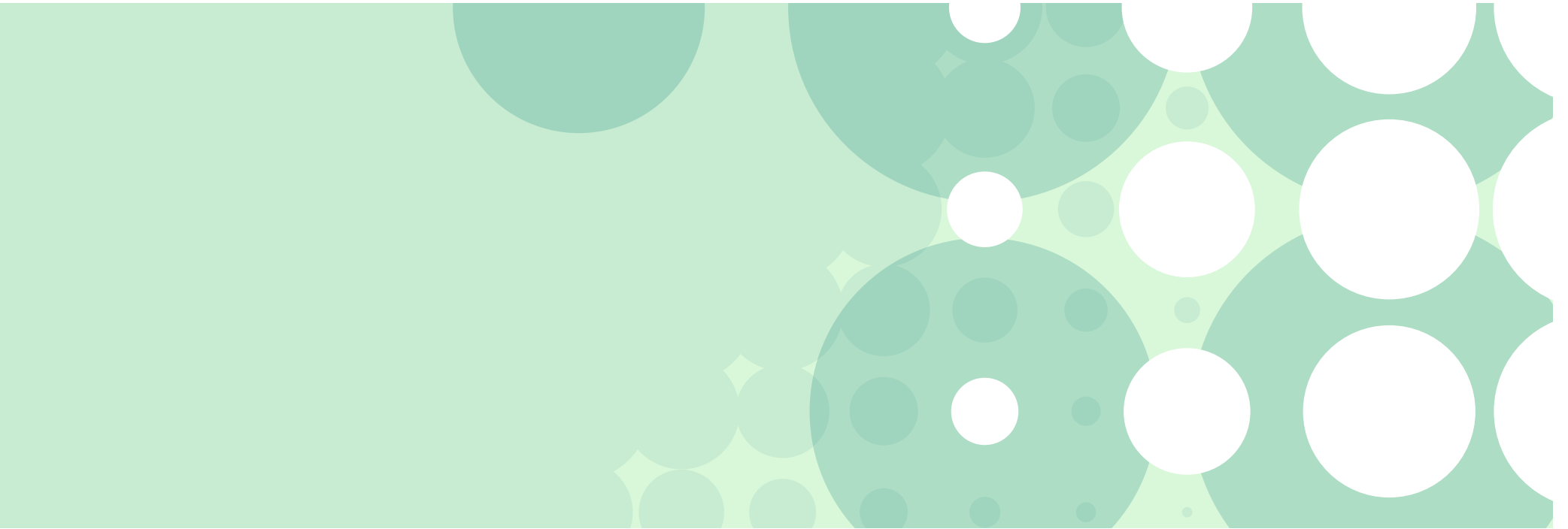




Advisory Report

Review of Global Fund Risk Management processes for country-facing risks

GF-OIG-25-014
28 October 2025
Geneva, Switzerland

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Review of Global Fund Risk Management
processes for country-facing risks

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Context & scope of the review

Effective risk management underpins good governance and the achievement of organizational goals. The Global Fund Risk Management Policy, approved by its Board in 2014, outlines the structure and principles for managing risk, using the 'three lines of defense' model: day-to-day risk management assigned to the first line, oversight and monitoring to the second, and independent assurance to the third line.

Recognizing the need to adapt Enterprise Risk Management (ERM) to evolving needs and a more complex environment, the Risk Management Department and Chief of Staff requested the OIG to review specific ERM elements and suggest improvements. The review focused on:

1. Risk management processes for country-facing risks
2. The approach to risk appetite
3. Use of risk information for decision-making

This advisory review complements other ongoing Secretariat reviews in risk and assurance.

Findings & recommendations

1. Risk management processes for country-facing risks

The Global Fund's risk management framework is comprehensive in terms of policies and guidance and has improved significantly over time. However, challenges prevent achieving optimal effectiveness, to enable a focus on key strategic risks.

At organizational level, Risk management differentiation is aligned to the three portfolio categorizations (High Impact, Core and Focused). Focused portfolios have no requirement to conduct formal risk management processes. High Impact and Core countries follow the same risk management processes despite significant differences among them in terms of disease burden, investment size, or risk profile, which could warrant further differentiation. The Risk Department and other second line functional teams maintain different lists of priority portfolios.

The use of these distinct lists further complicates the differentiation process and there is a need to set up a harmonized approach to priority countries in terms of risk oversight. Differentiation based solely on portfolio categorization and ad hoc criteria of second lines functions affects the level of effort required across grant lifecycle (particularly regarding the production and review of funding request documentation and grant oversight during implementation phase) and risks confusing staff and poor compliance with requirements.

The processes as currently designed contain redundancies, and there is a risk that they are ineffectively applied; this includes underutilization of the Integrated Risk Management (IRM) system, risk management activities exclusively driven by the need for compliance with policies and procedures rather than creating valuable insights for decision-making, and limited value-add of some monitoring mechanisms.

Roles and responsibilities are clearly defined, but execution gaps dilute accountability for key risks management between the first and second lines.

First line risk management capability has matured in terms of understanding risk concepts and integrating risk management into daily activities and key deliverables. However, maturity levels vary across first line teams in the consistency of risk assessment and prioritization. Additionally, persistent gaps remain in the quality of Key Mitigation Actions (KMAs), which often lack clear root causes or do not meet SMART¹ criteria and face delays in timely implementation.

Second line functional teams² demonstrate variable risk management maturity, with compliance-conscious teams having a more robust oversight approach than teams primarily dedicated to delivering advisory and support services. This weakens the effectiveness of second line monitoring and oversight.

The **Risk Department has matured over time**, but opportunities remain to **enhance risk culture initiatives** (e.g., training), better support the first line in prioritizing and executing key mitigations, and improving the quality of IRM risk assessments.

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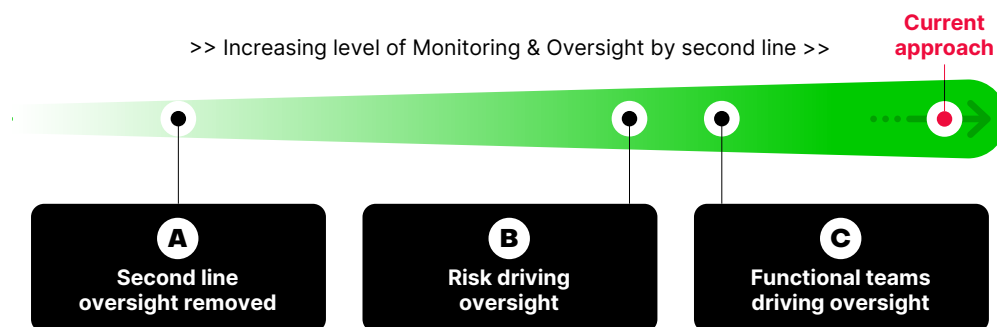
Related recommendations:

As a first step, to enhance the current ERM Model, the Global Fund should decide which high-level approach(es) to apply that best meets its organizational needs.

To inform the Secretariat's decisions on changes to the country risk-related ERM framework, the OIG proposes three high-level options (see figure 1 below) based on peer organization models. Across the three options, the first line team continues to perform risk management across portfolios, as in the current model.

These options differ in degree of accountability assigned to first line, second line oversight strength, the split of roles between Risk and functional teams, and process complexity. Approaches range from full first line accountability with KPI-based oversight (Model A), to more formalized models where either Risk or technical teams play second line oversight roles (Models B and C) with varying degrees of assurance.

FIGURE 1
Options for risk management approach



There is no single best practice; the ideal model depends on the organization's risk appetite, integration of risk management into daily operations, and preferred oversight level. Models may be applied uniformly or tailored by portfolio, based on criteria used to prioritize Organizational Risk Register portfolios³, risk profile, allocation, and Secretariat ability to influence.

The Global Fund Secretariat needs to determine which second line functional teams engage in selected options. Several technical functions, such as Finance, Legal, Human

Resources and Supply Operations, own specific institutional policies, rules and regulations in their areas for which they are 1st line functions. For clarity, these functions remain responsible for the overall monitoring, advisory and compliance management of their respective institutional policies, rules and regulations in any of the recommended models.

Differentiate oversight roles & responsibilities to improve risk management processes and deliverables.

The current Risk Management Model is an extended oversight Model where both the Risk Department and Functional teams have Monitoring and Oversight responsibilities which can be better streamlined by applying one or more of the below-described approaches.

- *In model A (Second line oversight removed)*, risk management deliverables are entirely managed by Country Teams in coordination with functional teams without any second line oversight.
- *In model B (Risk team driven oversight)*, the Risk Department plays an enhanced compliance oversight role. Technical teams' second line role is removed and their contribution limited to advice to first line.
- *In model C (Functional Teams'⁴ driven oversight)*, the functional teams monitor and oversee risk management processes. The Risk Department focuses on maintaining the framework and reporting on risks.

Each Model presents efficiencies to be made at the cost of assurance over risk management by first lines. In Model A, assurance relies entirely on the Country Teams management lines and the achievement of objectives. In Model B, Risk provides an added level of assurance but not to the extent that is provided by the technical teams in Model C, given the inherent capacity (competences and resources) limitations the Risk department presents compared to the technical teams.

Revise and/or enhance second line roles & responsibilities

Monitoring and oversight should be strengthened to improve first line risk identification, assessment, and mitigation quality.

In Model A (*Second line oversight removed*), the Risk Department sets frameworks and promotes risk culture and reporting, while Country Teams are fully accountable, with monitoring through KPI reporting and periodic third line reviews.

² Second line functional teams refer to business risk owners. They include the Strategic Investment and Impact Division (Technical Assistance and Partnerships (TAP), Communities, Rights and Gender (CRG), Programmatic Monitoring (PMD), the Accounting & Fiduciary Risk Oversight (AFRO) team and Health Finance (HFD) in Finance, and Supply Operations (Supply Chain, Planning & Procurement, Quality Assurance).

³ Top 25 countries by allocation amount for the 5 non-commodity related risks; Top 20 countries by commodity budget to monitor 3 commodity related risks.

⁴ Programmatic Monitoring (PMD), the Accounting & Fiduciary Risk Oversight (AFRO) team and Health Finance (HFD) in Finance, and Supply Operations (Supply Chain, Planning & Procurement, Quality Assurance).

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Review of Global Fund Risk Management processes for country-facing risks

In Models B and C, second line oversight is conducted respectively by either the Risk Department or functional teams, requiring enhanced expertise, tools, and frameworks for effectiveness.

Strengthen practices and processes that enable greater reliance on the first line, and embed risk management into day-to-day operations and processes

Three factors have been identified as important:

- **Consistent maturing of first line:** This could be achieved through regular capability assessments, training, and calibration exercises.
- **Timely Issue Escalation:** Establish mechanisms for the first line to promptly alert second line and senior management to emerging risks and issues.
- **Strong Risk Accountability:** Promote a robust risk culture (tone at the top) and adapt incentives for key first line roles to include effective risk management.

2. Use of risk appetite

Risk appetite defines the level of risk an organization is willing to accept to achieve its objectives, representing a trade-off between potential benefits and threats. The Global Fund Risk Appetite Framework is a positive step towards best practices, but embedding it into decision-making remains challenging.

Key barriers from operationalizing the risk appetite framework include its limited guidance on risk trade-offs, undefined risk appetite scale, lack of portfolio-level risk indicators and thresholds, and insufficient stakeholder understanding. As a result, the framework's potential to enhance key trade-off decisions, especially under resource constraints, is not fully realized.

While the Global Fund's challenge to operationalize its risk appetite framework is not unique, it represents a missed opportunity to improve strategic decision-making, particularly in resource-constrained environments.

Related recommendations:

Revise the risk appetite framework to support risk-based, trade-off decisions

The Secretariat should revise the risk appetite framework by

- Defining the risk appetite at the portfolio level for each category of key risks.

- Determining triggers to support the escalation of risks/decisions at each level of the organization, according to the level of risk appetite.
- Providing guidance and practical examples of how risk appetite can be used to develop options for trade-off decisions.

This should enhance decision-making by empowering first line teams with clear risk management boundaries aligned with risk appetite.

3. Use of risk information for decision-making

Relevant, tailored risk information is essential for balanced decision-making in the Global Fund's dynamic environment. While current risk reporting meets policy requirements, its utility for decision-making needs improvement.

The **Organizational Risk Register (ORR)** is not agile enough, omitting key risks like those related to Resilient and Sustainable Systems for Health. Its quarterly updates often show minimal changes, and there is a misalignment between the ORR risk rating and risk perception of Committees on specific topics.

Board and Committees members recognize reporting quality, but seek better alignment with Secretariat risk assessments, reduced redundancy among variety of reports, tailored content for dynamic discussions, and more detail on regional risks and rating methodology.

At Secretariat-level decision making, there is currently limited use of Risk team insights and expertise when making strategic trade-off decisions.

Related recommendations:

Align risk reporting to the strategic objectives to better support trade-off decisions and discussions

Risk reporting should be more focused and better aligned to the Global Fund's strategic priorities, especially in a fast-changing landscape. It could focus on a few "deep dives" into key risks aligned with the strategy, rather than providing a comprehensive assessment of every risk.

Following the principle of combined assurance, there is an opportunity for Risk team and other functions providing risk-related and risk-based reporting (OIG, Evaluation & Learning Office, Ethics Officer) to better coordinate in providing comprehensive risk information to support decision-making and reduce any unnecessary overlaps and gaps.

1. Context, objectives and scope of the review

1.1 Context

Risk management is an integral part of the Global Fund operating model. Since 2014, the Global Fund Secretariat has progressively developed and implemented an Enterprise Risk Management (ERM) system to ensure that major risks are identified, assessed, and appropriately mitigated across the organization. Through its various components, the ERM aims to help the Global Fund achieve its main objectives by ensuring responsiveness and agility in managing key risks.

The Risk Department and the Chief of Staff requested an OIG advisory review which would evaluate specific elements of the current ERM and recommend potential future changes to its approach.

1.2. Objectives and scope of the advisory

The advisory review aimed to evaluate the design and effectiveness of select elements of the current ERM framework. It focused on three key areas:

1. Risk management processes for country-facing risks
2. Use of risk appetite
3. Use of risk information for effective decision-making

For the first two areas, the focus was on country-facing risks, while analyses on risk information are cross-cutting (including operational risks) given the comprehensive remit of risk reporting to governance bodies.

Across these areas, the analysis reviewed the “as is” framework, and proposed recommendations for potential alternative options, with due consideration of the evolving risk landscape and its impact on the Global Fund operating model.

Scope exclusions

Operational (non-country-facing) risks were excluded from the scope of Risk Management processes and risk appetite. This allowed for more in-depth analysis of the countries’ risks but does mean that the advisory does not provide an overall assessment of the Global Fund’s ERM.

Several technical functions, such as Finance, Legal, Human Resources and Supply Operations, own specific institutional policies, rules and regulations in their areas for which they are 1st line functions. For clarity, these functions remain responsible for the overall monitoring, advisory and compliance management of their respective institutional policies, rules and regulations in any of the recommendations provided in this advisory.

1.3 Methodology

The advisory comprised the following activities:

- **Desk review:** Assessing the design of the Global Fund’s ERM, based on policies and frameworks.
- **Global Fund Stakeholder Interviews:** Gathering insights from stakeholders involved in ERM. The advisory conducted ~60 interviews across six Country Teams,⁵ Management Executive Committee (MEC) members and second line teams (Risk, Finance, Strategic Investment and Impact Division, Supply Operations and Grant Portfolio Solutions & Support).
- **Benchmarking:** Learning about the ERM approach from relevant (“reference”) organizations, drawing on publicly available documents and interviews with risk practitioners. Though an organization’s ERM will depend on its activities and structure (e.g., whether it is a financing organization or whether it has field operations), the Global Fund can nevertheless learn from different approaches in other organizations. The advisory conducted interviews with 18 organizations: 3 private foundations, 2 grant-making funds, 6 International Financial Institutions (IFIs), 5 UN agencies and international organizations, and 2 private sector companies (a bank and a pharmaceutical company).

Analyses were performed between July 2024 and December 2024.

⁵ For 4 Country Teams: Fund Portfolio Managers, Program Officers, Public Health and M&E Specialists, including Senior Public Health and M&E Specialists, Health Product Management Specialists/Managers, Finance Specialists and Grant Finance Managers; for 2 Country Teams: Fund Portfolio Manager and Program Officer

2. The Global Fund's current ERM framework

2.1 How the ERM operates today

The Global Fund supports programs in high-risk environments. Grants “are exposed to several intrinsic and external factors that impact delivery, and to deliver on its mission [...] the Global Fund needs to take risks often over a sustained period of time.”⁶ In this context, the Global Fund's Risk Management Policy is designed to ensure that:

- Significant risks are identified and monitored, enabling management and in-country actors to make informed decisions and take timely action.
- Opportunities are maximized, with confidence that risks will be managed appropriately.
- Global Fund strategic objectives are achieved.⁷

The advisory covers two categories of risks:

- **Country risk:** uncertainty in achieving grant outcomes (can include programmatic, financial and fiduciary, supply operations, governance, and health financing risks).
- **Operational risk:** uncertainty in conducting Secretariat operations supporting the achievement of Global Fund objectives (including potential to impact donor funding, Global Fund reputation, internal operations such as Information Technology, staff wellbeing).⁸

The Risk Management department has differentiated its approach to address these risk types.

2.2 Operationalizing the ERM framework

The Global Fund uses a “three lines” model to implement its ERM. This model, developed by the Institute of Internal Auditors, is used by many international organizations in their approach to managing risks. The three lines are defined as follows:

- The **first line** is the Grant Management Division (GMD), with the Country Team responsible for delivering country portfolio risk management activities. This includes identifying risks, designing and implementing mitigating actions, assurance, and monitoring and reporting on the progress of mitigating actions. Country Teams are composed of staff from various divisions and departments including GMD, Grant Financial Management and Legal Department. The Global Fund also has a **front line of defense** – which is not part of the formal three lines model – comprised of in-country stakeholders, including implementers (e.g., Principal Recipients, sub-recipients) and Country Coordinating Mechanisms (CCMs). The front line is responsible for managing grant risks on a day-to-day basis, in collaboration with the first line.

CTs can leverage a range of mechanisms to identify, assess, mitigate and assure risks. These include the use of Local Fund Agents (LFAs), Fiscal/Fiduciary Agents, and interventions allowed under the Challenging Operating Environment (COE) and Additional Safeguard Policy (ASP).

- The **second line** ensures that mitigating actions and controls are adequate by developing and maintaining policies and processes, providing technical advice to the first line, and monitoring and reporting on the progress and adequacy of mitigating actions. At the Global Fund, the second line is composed of i) the Risk Department, that coordinates Risk Management monitoring & oversight activities, and leads on setting the framework and reporting; ii) second line teams across different functions that provide monitoring & oversight, as well as advice, on respective technical areas.⁹
- The **third line** is an assurance function, performed by the Global Fund's Office of the Inspector General, which independently audits and investigates the systems, processes, operations, functions and activities of the Global Fund and of the programs it supports. It also includes the Evaluation and Learning Office which perform independent evaluations and provide advancing learning practices across the Global Fund.

⁶ “An overview of Risk Management at the Global Fund”, March 2025, page 3. Document developed to provide understanding of Global Fund risk management to Global Fund governance bodies members.

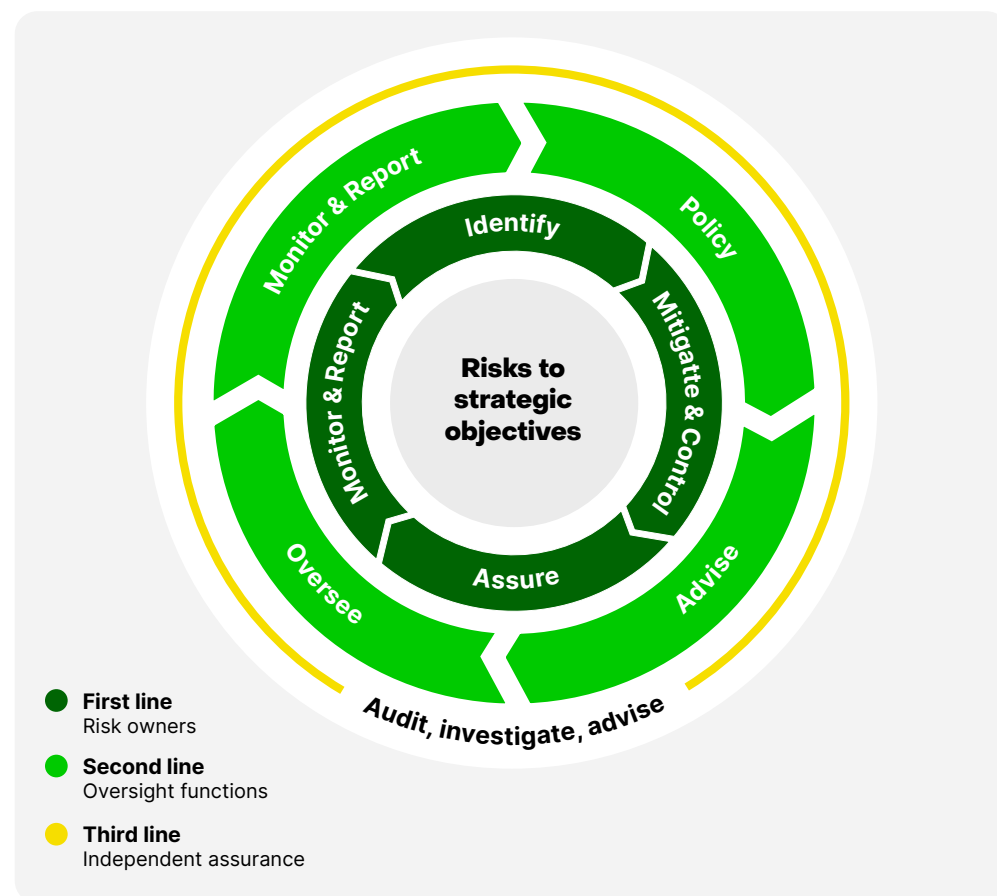
⁷ Global Fund Risk Management Policy, November 2014, last accessed June 2025)

⁸ An additional category of risks is described in the Global Fund's ERM framework, i.e. Process risk: this is defined as uncertainty in achieving the objectives of Global Fund business processes (e.g., inadequate design of processes, weaknesses in process handoffs or coordination between different roles/teams). Process risks are not reported on in the ORR.

⁹ Second line functions include TAP, CRG, PMD, AFRO, SO – Supply Chain, SO – Planning and Procurement, SO – QA, GMD – GPS and HFD. Ethics and Legal also provide oversight and advise in the ERM.

2. The Global Fund's current ERM framework

FIGURE 2
The three lines model and the core activities of each line at the Global Fund



2.3 Evolution of the ERM framework

The Global Fund's Enterprise Risk Management (ERM) has materially evolved since 2014, with notable improvements in policies and guidelines, processes, tools, and risk oversight:

- **Policies and guidelines:** The Secretariat has developed Operational Policy Notes and guidelines which describe key steps for conducting risk management procedures, and outline roles and responsibilities for each component of the ERM.
- **Risk management tool:** The Integrated Risk management tool (IRM 2.0) provides an improved platform to document and track country facing risks for Core and High Impact portfolios.
- **Risk monitoring and decision-making:** mechanisms have been created, such as the Portfolio Performance Committee¹⁰ (PPC). One of its key oversight activities includes the Country Portfolio Review (CPR), which provides visibility to management on risk management at portfolio level and enables them to monitor and provide guidance on key risks.
- **Embedded risk management:** risks are considered across the grant lifecycle, with dedicated sections on risk management incorporated in key deliverables related to funding requests, grant making processes, disbursement and implementation oversight.
- **Risk culture:** A risk management culture and language which is consistently present across the organization.
- **Risk appetite and reporting:** The Global Fund has set up a risk appetite framework, which was defined by the Board in 2018, and the Risk Department regularly reports to governance bodies on key organizational risks and emerging risks.

The Global Fund risk management framework was considered to have reached an "embedded" stage of maturity in 2019.¹¹ This maturity rating means that "risk management processes have been defined and embedded in everyday practices. However, there is insufficient close supervision or active management of these processes and/or they are not consistently measurable. It is likely, but uncertain, that they will allow the organization's operational and strategic objectives to be fully met." The framework and its application have further evolved since then.

¹⁰ The PPC is an internal forum for decision-making on country-level risk trade-offs. The Portfolio Performance Committee (PPC) is co-chaired by the Head of Grant management Division and the Chief Risk Officer. PPC members also include Head SO, CFO, Head SPH, Head SIID, General Counsel LGD. Additional divisional and departmental representatives from Grant management Division, Legal, Finance, Risk, SIID, Strategy and Policy Hub and Supply / sourcing may attend on case-by-case basis. Executive Sessions of the PPC can be called on ad-hoc basis and/or per request, including during times of crisis, to provide ongoing guidance to Country Teams.

¹¹ The Office of the Inspector General 2019 annual report, page 12

3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

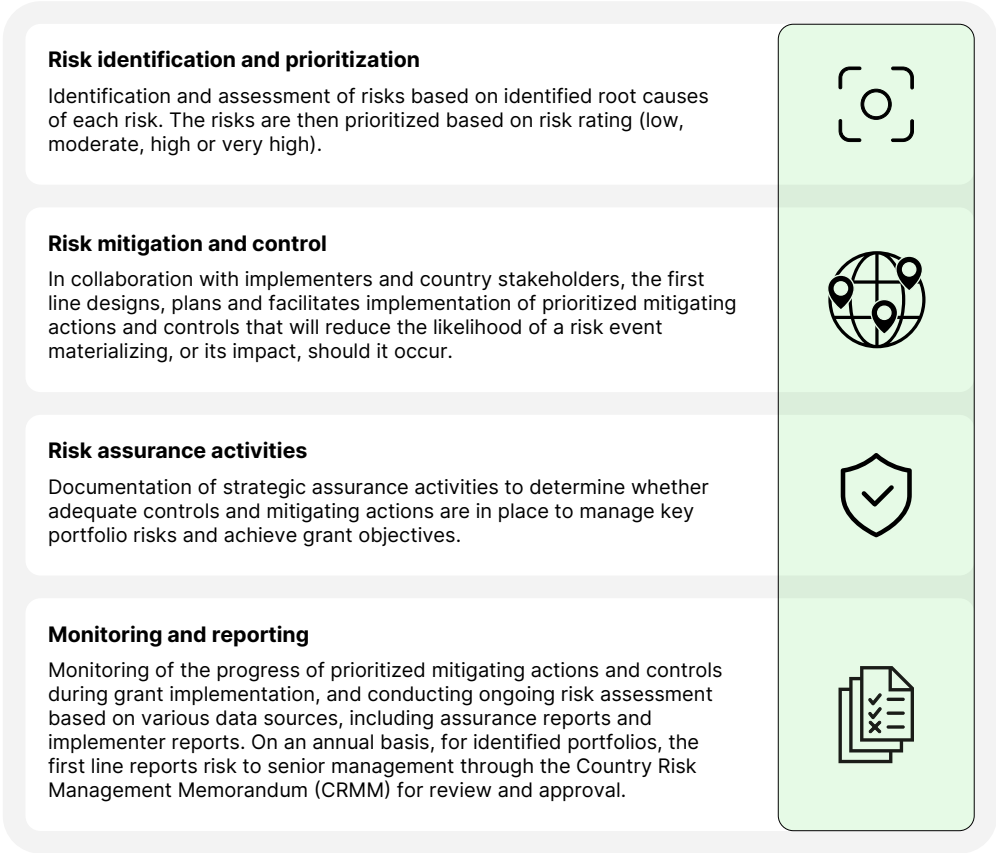
3.1.1 Opportunities exist to enhance, streamline and further differentiate existing risk management processes.

The Global Fund country risk management process encompasses multiple procedures and oversight reviews throughout the grant lifecycle. The Integrated Risk Management tool (IRM 2.0) serves as a central platform for documenting grant-facing risks and tracking risk management procedures, which are structured around four key steps for first line teams (see **figure 3**)

Throughout the grant life cycle, the first line produces multiple risk management deliverables, while the second line performs various monitoring and oversight reviews, as described in **figure 4**. In the following sections under this finding, the OIG has assessed the usefulness and relevance of these key deliverables, focusing on how they support decision-making and enhance the effectiveness of risk management.

While the Secretariat has made efforts to build and maintain a robust risk management framework across the grant life cycle, various gaps could affect both efficiency and effectiveness to optimally support decision-making.

FIGURE 3
Risk management process for first line team



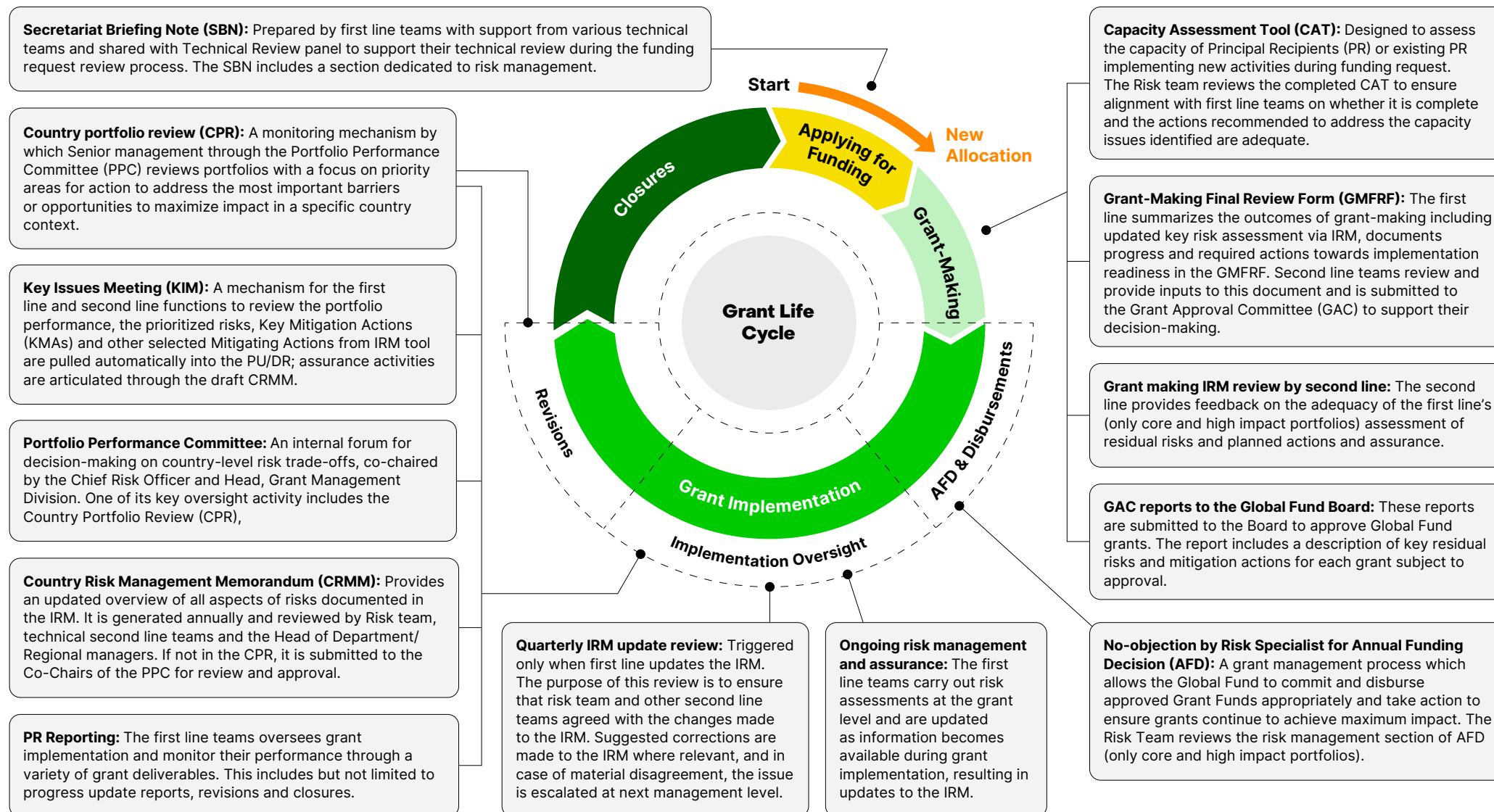
3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Findings

FIGURE 4

Key Risk Management process steps and deliverables across the grant lifecycle



3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Findings

Insufficient differentiation across portfolios in risk management requirements and oversight hinders focus on key risks

While general principles of risk management apply across all portfolios, focused portfolios are exempt from specific Risk Management deliverables.¹² For all other portfolios (High Impact and Core), the same processes mostly apply. In addition, Risk Department and second line functional teams apply further risk differentiation to prioritize portfolios for their oversight. For example, the Risk Department has identified 18 portfolios for a light touch approach among the 59 Core and High Impact portfolios. Prioritization guides the selection of portfolios for the Country Portfolio Reviews (CPR). There is also the creation of a Crisis Management Team to enable quick trade-off decisions for countries with highly volatile security.

While the above-mentioned prioritization efforts are valuable, they are likely not enough to allow sufficient focus and prioritization of efforts on higher burden countries which drive mission-critical risks, since the large majority of ERM requirements still equally apply to all High Impact and Core portfolios. The burden resulting from implementing the same ERM processes across all portfolios will likely be exacerbated should the Global Fund operate in an environment with more limited resources.

While acknowledging that each portfolio has unique challenges, the identification of priority portfolios across different functional teams is not consistent, posing a significant challenge to effectively differentiate processes and requirements. For instance, TAP RSSH supports 42 priority portfolios, whereas CRG has identified only 25 priority portfolios. TAP Malaria, on the other hand, considers all portfolios a priority, regardless of disease burden. Similarly, the Health Financing Department (HFD) prioritizes all Core and High Impact portfolios for specific IRM processes and provides support across all portfolios (including Focused ones).

Another missed opportunity for differentiation has been identified in the Technical Review Panel (TRP) review. In Grant Cycle 7, application documents submitted to the TRP showed little noticeable differentiation in terms of information requirements across all categories of portfolios, despite the Secretariat's efforts to create varied types of application forms to streamline the process. The TRP spent 16 days on average to finalize review of individual Focused portfolios (5% of overall GC7 allocation) against 19 to 22 days for larger portfolios (High Impact and Core portfolios).¹³

Some Risk Management processes show limited value add, and some are not applied effectively

OIG analysis identified elements in risk management processes that could undermine their effectiveness and efficiency.

Opportunities to improve risk assessment across Funding Request / Grant - Making stage

Risk identification and assessment are performed by the first line – with input from functional teams and Risk – during **Funding Request and Grant Making (FR/GM)**. Risk considerations are included in key deliverables produced during this stage (e.g., Secretariat Briefing Note (SBN) shared with the TRP, Grant Making Final Review Form (GMFRF) submitted to the Grant Approval Committee (GAC).

However, this did not translate into the early anticipation and addressing of risks in the first year of implementation. This meant that 95% of GC7 grants were approved and deemed ready for implementation, but only 10% of disbursement was made in the first six months of implementation. While the OIG acknowledges that various other factors (e.g., timing of delivery of ordered health products, implementation arrangements, changed in-country context) contribute to the low disbursement, a more robust risk assessment could help address such bottlenecks.

A key risk management tool used in this stage is the **Capacity Assessment Tool (CAT)**, designed to assess the capacity of new Principal Recipients and those implementing new activities during the Funding Request or Grant Making stages, upon designation of new implementers. The CAT is completed before the GAC recommendation meeting. While acknowledging the usefulness of this tool, Country Teams have difficulties in leveraging all key information included in the CAT, due to limited time between its completion and the submission of deliverables to GAC.

Compliance-driven practices adding low value to risk management at portfolio level

The feedback received from interviewed Country Teams suggested that some steps are performed as “tick-box” exercises to meet procedural requirements, raising questions about their value. These include second line oversight reviews throughout the grant lifecycle, such as

- IRM review during Grant-Making: in ~90% of instances, second line is aligned to the first line; when there is misalignment, this rarely leads to changes in the IRM.
- CAT review by Risk Specialist does not result in enhanced mitigation actions – risk and first line are aligned ~90% of the time, and it is unclear how Risk supports CTs to prioritize mitigation actions.

¹² It is worth noting that focused countries under Additional Safeguard Policy (ASP) might be subject to additional risk management deliverables compared to non-ASP focused countries.

¹³ Evaluation of the Global Fund Funding Request and Grant-making Stages of the Funding Cycle, last accessed on 30 June 2026

3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Findings

- The Annual Funding Decision (AFD) no-objection by the Risk Specialist frequently results in agreement and the issuance of a generic statement. In case there was no meaningful change in risk factors since last IRM review, the AFD review is based on the same IRM content.
- The CRMM second line review frequently results in alignment (business risk owners aligned 93% of the time, Risk Specialists aligned ~90% of the time). Risk team's review non-alignment touches on quality and compliance with risk management guidelines, which may duplicate technical team reviews.

All these oversight reviews are designed to ensure that risk assessment and mitigation actions deliver robust risk management across the grant life cycle. In the instances presented, first line teams and second line reviewers generally agree on the IRM content (risk assessment and mitigation actions), and few areas of misalignment are escalated. Overall, efforts from both first- and second line team have resulted in a high degree of alignment with OIG country audits on risk rating. While the In-country Supply Chain (ICSC) risk calibration exercise¹⁴ has improved risk assessment consistency and prioritization in this risk category, its findings may also apply to other risk categories which did not undergo a similar review. In addition, OIG audits such as the OIG audit of the Global Fund Grants to the Republic of Kenya (2022), the OIG audit of the Global Fund Grants to the Republic of Mozambique (2022), the OIG audit of the Global Fund Grants to the Republic of Niger (2023) the OIG audit of the Global Fund's Approach to Grant Monitoring identified major gaps in the quality and implementation timeliness of Key mitigation actions. These observations underscore a need to further strengthen second line oversight to achieve greater effectiveness.

Inefficient monitoring and oversight mechanisms

The Country Portfolio Review (CPR)¹⁵ is a key monitoring mechanism. Interviews and analyses of CPR outcomes for 16 portfolios between 2022 and 2023 showed mixed results on the usefulness of this platform. While it is a good forum for discussion of risks with senior management, the effort and time required to prepare for the CPR does not align with the anticipated benefits from Country Team perspective.

While a useful forum for discussion of risks with senior management, the OIG's review of CPRs from 2022 – 2023 noted overlaps with other fora where similar topics were discussed. For instance, Key Issues Meetings (KIM) held in advance of all CPR meetings to provide general input and guidance to the CT, are based on draft Country Risk Management Memoranda (CRMM). During this yearly meeting second line and first line

review the CRMM. Upon review, the KIMs discussion appears to be the same as in the CPR, the main difference being the presence of PPC members.

New CPR guidance has been issued in March 2025 to streamline and enhance that process by integrating KIM as the first stage of the CPR process.

The PPC is not fully a fit-for-purpose forum: On a sample of 10 portfolios¹⁶, 69% of country team queries at PPC are directed to be decided "offline". While queries to the PPC can be for decision, others might be submitted for steering or escalating information. However, in some of the instances reviewed by the OIG, other fora (e.g., Grant Approval Committee, Executive Grant Management Committee) would have been more appropriate to address queries related to Risk Management. Interviewed Country Teams believe that most actions could be dealt with through routine grant management escalation within the Grant Management Division. There is an overlap between PPC membership / scope and those of other forums, highlighting the need to reconsider the internal governance committees to streamline decision-making.

Underutilization of IRM System by first line teams

First line teams do not consistently utilize information and outputs from the IRM system in their daily risk management and decision-making, despite investing significant time in completing and maintaining the system. This underutilization stems from a perception that the IRM serves primarily as a risk management repository and reporting tool, rather than a practical aid for day-to-day risk management and mitigation.

Interviews with first line staff confirm that they mainly consult the IRM to fulfill compliance requirements set by risk management guidelines. In practice, they tend to manage and prioritize country portfolio risks using their own working documents and key deliverables such as annual workplans, performance letters, and outcomes from LFA reviews.

While the OIG did not identify any significant discrepancies between the working documents used by first line teams and the risk assessments recorded in the IRM tool, the limited usefulness of the IRM for active risk management highlights the need to strike an optimal balance between the time and effort invested in maintaining the IRM, and its practical value for day-to-day risk management.

In addition, the Country Team (CT) is expected to update the IRM as needed, with the IRM system notifying the relevant second line team on a quarterly basis for review. The OIG observed that such reviews were conducted infrequently, with only 23 instances noted in 2024.

¹⁴ This refers to a review that the Risk team conducted in 2024 to ensure consistency of risk assessment, risk prioritization and mitigation actions across all portfolios regarding in-country supply chain risks.

¹⁵ The number of CPRs fluctuates throughout the grant lifecycle. For example, there were 13 CPRs conducted in 2021, 21 in 2022, 16 in 2023 and 19 in 2024

¹⁶ For 2022: Burkina Faso, Burundi, DRC, Ethiopia, Kenya, Mozambique, Nepal, Niger, Senegal, Zambia

3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Findings

3.1.2 Risk management could be enhanced by strengthening first- and second- line capabilities and adjusting the ERM structure to current Global Fund needs.

Despite a generally robust first line, persistent gaps remain in the quality of risk assessments, monitoring, and risk-informed decision-making throughout the grant life cycle

The first line's risk management capability has matured over the past decade considering their understanding of key risk management concepts, the availability of enhanced risk management tools (e.g. workflow of IRM 2.0 enabling the first line to easily follow the four steps of the risk management process,¹⁷) and their consideration of risk in key deliverables. Updated sub-risks¹⁸ root causes, and guidance on mitigations /root causes, have also been made available to facilitate risk identification and assessment by the first line.

A review of the annual workplan and in-country missions for a sample of five Country Teams found that deliverables are aligned with the highest risks documented in the IRM. Risks are discussed with Regional Managers and Heads of Department through periodic team meetings and Country Risk Management Memorandum (CRMM) review, and with Senior management through the Country Portfolio Review.

However, a review of risk management outputs reveals significant variability in the quality of outputs from first line teams throughout the risk management cycle.

In the risk identification and prioritization phase, inconsistent understanding and approaches to risk rating limit effective portfolio comparisons, which are crucial for a differentiation strategy. This was evident, for example, in the calibration exercise performed by the Risk Department which highlighted limited understanding of risk rating guidance by some first line teams, and its inconsistent application for supply chain risks across portfolios due to lack of relevant data. The OIG Audit of the Global Fund's Approach to Grant Monitoring identified gaps in root cause analysis: "As of May 2023, 24% of the 455 sub-risks were rated high or very high without corresponding root causes assigned to them." Identifying root causes is crucial to determining appropriate mitigation actions.

Regarding risk mitigation and control, weaknesses remain in the timely execution and quality of Key Mitigation Actions (KMAs). Another finding from the OIG Audit of the Global Fund's Approach to Grant Monitoring indicated that the lack of well-defined root causes

has contributed to poor quality of mitigation actions. KMAs are missing for high risks, and when they are defined, they do not meet SMART¹⁹ criteria, despite risk guidance emphasizing the need for this. This may negatively impact Country Teams' ability to manage key risks effectively. For example, past OIG audits (e.g. Audit of the Global Fund Grants to the Republic of Kenya (GF-OIG-22-005) and Audit of Global Fund Grants in Ghana (GF-OIG-23-020)) identified persistent grant issues with root causes, partly attributable to a lack of appropriate mitigation actions.

KMAs are also not sufficiently prioritized, based on the number of KMAs against the number of (very) high risk areas. For example, there are 20 KMAs for Guinea for three (very) high risk areas, while Chad records 8 KMAs for 10 (very) high risk areas, revealing an inconsistent approach towards prioritizing mitigation actions, a key part of efficient risk management. Lastly, there is a significant delay in executing the KMAs: as of February 2025, 75% of 498 due KMAs were overdue, with 36% of them delayed by over 180 days.

The varying understanding of second line roles by functional teams impacts their effectiveness in monitoring and overseeing risk management throughout the grant lifecycle

The second line function at the Global Fund is performed by various technical functional teams and the Risk Department.

As per the Country Risk Management Operating Policy Note, second line functional teams comprise the Strategic Investment and Impact Division (Technical Assistance and Partnerships (TAP), Communities, Rights and Gender (CRG), Programmatic Monitoring (PMD), the Accounting & Fiduciary Risk Oversight (AFRO) team, Health Finance (HFD) in Finance, and Supply Operations (Supply Chain, Planning & Procurement, Quality Assurance & Compliance) and Grant Portfolio Solutions & Support (GPS). Second line functional teams are mandated (by OPN) to (i) develop risk policy and guidelines, (ii) provide risk advice, and (iii) monitor and oversee risk management.

The Risk Department is mandated to lead and coordinate second line oversight. Its core responsibilities include developing policies and guidelines, advising the first line, overseeing first line risk management practices, and monitoring and reporting on risk.

The second line role is currently executed in a suboptimal manner, with gaps identified both in the technical second lines and Risk.

17 These four steps include identify, mitigate & control, assure and monitor & report.

18 Country risks are made up of 13 categories of risks. Each risk area includes sub-risks. This granularity enables more specific risk assessment.

19 SMART stands for "Specific, Measurable, Achievable, Relevant, and Time-Bound."

3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Findings

High variability in Risk Management maturity among second line functional teams affects their effectiveness in monitoring and overseeing the risk management cycle.

Overall, the effectiveness of second line functional teams in risk management varies, based on their roles. Various assessments²⁰ highlighted that second line functional teams focused on compliance/oversight (e.g., AFRO) have more robust monitoring and oversight systems than those primarily providing advisory services in programmatic areas (e.g., TAP, CRG).

Despite clarity in roles and responsibilities in risk management guidelines, some second line functional teams - namely Technical Advice Partnership (TAP) teams and Community Rights & Gender (CRG) Department - do not recognize themselves as second line. They raised concerns about potential conflict of interest between their primary function (advisory role which also involves risk identification and mitigation) and an oversight role - which is neither reflected in their organizational key objectives and priorities, nor stated in the job description of staff from these departments. Consequently, they have a limited scope of review in risk management. For example, they do not monitor KMAs, but rather review the IRM system periodically, and advise if requested by first line teams. They do not issue reports resulting from their monitoring and oversight to senior management. Regarding the quality and frequency of their review, the coverage of IRM review remains low, as highlighted in the OIG audit of [Approach to Grant Monitoring](#).

Besides their oversight and monitoring role, second line functional teams contribute to enhance risk management guidance and tools to adapt to emerging and prioritized risks. For example, they have updated the risk categories as well as the generic root causes for each sub-risk in IRM 2.0. They also play a key role in updating the Organizational Risk Register (ORR) on a quarterly basis.

While the Risk Department has matured over the past decade, improvement opportunities exist.

Risk Department responsibilities align with the [2014 Board-approved Global Fund Risk Management Policy](#) and the [Country Risk Management Operating Policy Note](#), even though the 2011 High Level Panel's initial recommendations²¹ did not assign portfolio-level oversight and monitoring to the Chief Risk Officer. Similar to some UN agencies that deploy risk specialists to specific regions or countries, Risk Department Specialists are distributed across all 59 high-impact and core portfolios. This differs from International Financial Institutions, which typically organize their Risk Departments around core business themes requiring specialized technical expertise.

The team has developed several key resources, including the recently updated Country Risk Management Operating Policy Note and guidance on risk rating, assessment, mitigation, and assurance planning, to support risk management processes. To foster a stronger risk culture, the Risk Department has created risk management training materials for first line teams (although their attendance at training sessions is low).²² The Risk Department conducted risk management workshops in four²³ countries during Grant Cycle 7 (GC7) country dialogue, to raise risk awareness among in-country stakeholders developing GC7 funding requests. To enhance the effectiveness of its advisory services, the Risk Department and In-Country Supply Chain team jointly conducted a supply chain calibration exercise to ensure consistent risk ratings, improved root cause identification and definition of appropriate mitigation actions. They also performed deep dives into thematic areas, such as human resources for health in 2024.

The Risk Department's oversight function primarily involves compliance reviews of risk management outputs throughout the grant lifecycle. They regularly review the IRM, CRMM, and the risk section of Annual Funding Decision (AFD), flagging non-compliance issues for first line correction. In some instances, the Risk Department assessed the quality of risk information documented in the IRM (e.g., Guinea Bissau, Angola), resulting in duplicated efforts with programmatic second line teams. Despite these reviews, the OIG Grant Monitoring audit identified persistent issues which affect the quality of risk management, as summarized in previous sections.

The Risk Team periodically monitors the execution of Key Mitigation Actions, which have experienced significant implementation delays, and reports on progress made to senior management. They also consolidate and update the ORR on a quarterly basis, reporting it to Board committees during their periodic sessions. Improvements to governance bodies reporting are suggested as part of finding 3.3.

²⁰ These include the OIG Country Team model audit (2024) and the BDO consultancy report "Strengthening second line risk management"

²¹ [Final Report of the High-Level Independent Review Panel](#)

²² Observation from Key Business Process Review of risk management across grant lifecycle (by Risk Department)

²³ Ghana, Sudan, Afghanistan and Democratic Republic of Congo

3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Recommendations

★★★ Recommendations

1. As the first step, the Global Fund should decide on the high-level approach to apply.

To inform the Secretariat's decisions on what changes to apply to the country risk-related ERM framework, the OIG has presented three high-level models, which have been informed by internal analysis and common industry practice. The models proposed differ, particularly with regards to (i) the level of accountability placed on the first line, (ii) the focus and intensity of Monitoring & Oversight of risk management by the second line, (iii) the split of roles & responsibilities in the second line (between Risk and functional teams), and the design of risk management processes and (iv) the design of risk management processes.

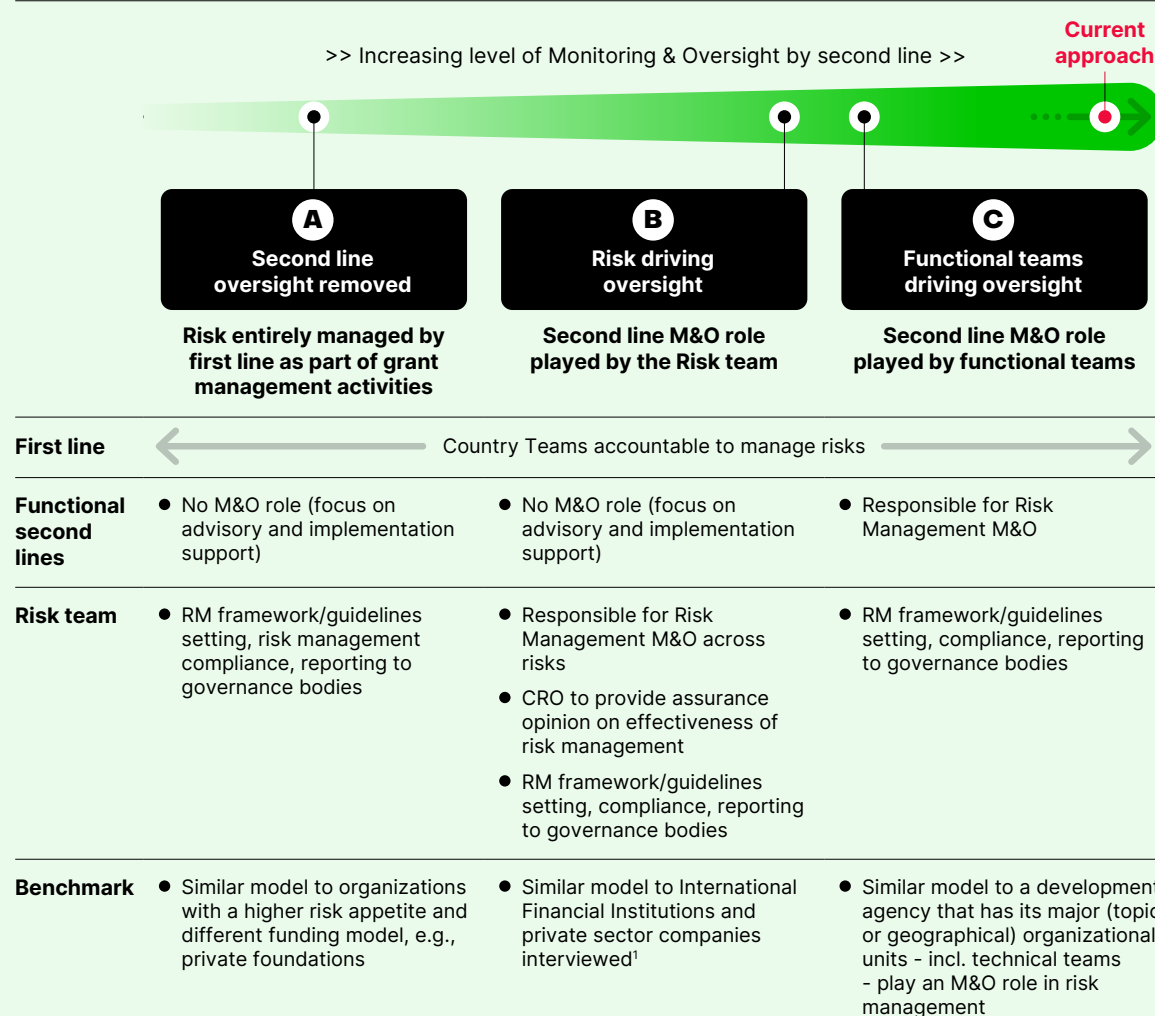
Across the three options, the first line consistently retains accountability for risk management and manages risks in their day-to-day management of portfolios. Similarly, the responsibility of the third line remains unchanged in providing independent assurance, highlighting risks that may not have been addressed as needed.

The oversight on risk management could remain within first line management, supported by various assurance providers at grant level (fiscal agent, Local Fund Agent), or be placed with the second line, either under the responsibility of the Risk Department or with functional technical teams. Independently of the model, the Risk Department at a minimum would retain the responsibility to set the risk management framework and guidelines, check compliance with risk management processes, and report to governance bodies.

Figure 5 lays out three alternatives to the current model.

Several technical functions, such as Finance, Legal, Human Resources and Supply Operations, own specific institutional policies, rules and regulations in their areas for which they are 1st line functions. For clarity, these functions remain responsible for the overall monitoring, advisory and compliance management of their respective institutional policies, rules and regulations in any of the recommended models.

FIGURE 5
Potential alternative models



¹ Depending on the industry and organization, level of control and strength/size of Risk team can vary

3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Recommendations

The current design of the Global Fund approach is an extended oversight model, combining aspects of both model B and model C across High Impact and Core portfolios. Although the application of risk Monitoring & Oversight does not always follow the intended design, as highlighted in this review, the expected assurance over Risk Management processes is beyond what any of the models proposes. A comparison between the three options is summarized in figure 6 below.

Figure 6
Pros and cons of alternative models

	A Second line oversight removed	B Risk driving oversight	C Functional teams driving oversight
Pros	● Risk Management activities fully embedded in grant management processes, also enabling faster decision making ● Fosters output-based Risk Management ● Enables some efficiencies through i) lighter requirements for Country Teams in terms of risk reporting and deliverables; and ii) a smaller Risk team than today	● Should support better decision-making due to qualitative Risk Management inputs (ensure the quality and use of Risk-related deliverables due to various controls/reviews across the grant lifecycle and insights provided to Country Teams) ● Technical teams could re-direct their efforts to advice and implementation support	● Improved oversight of programmatic risks, ensuring quality mitigation measures and targeted assurance
Cons	● Weaker controls than today; strong reliance on maturity of first line and accountability mechanisms (although mitigation measures exist, e.g., KPI monitoring, third line assurance)	● Valuable input on technical areas likely to require re-alignment of capabilities in Risk team ● Some reduction in overall effort dedicated to Risk management processes and deliverables but at the cost of reduced oversight and thus assurance over programmatic risks	● Some technical teams need to take on a "new" role that is not reliably performed today ● Limited reduction in overall effort dedicated to Risk management processes and deliverables ● Need to establish parallel escalation mechanism

Applying a particular model is an organizational choice and depends on the level of maturity of the organization's risk management framework, on the desired level of monitoring & oversight on risk processes, and the cost associated with each option.

Each model presented could be applied across all portfolios. Alternatively, the Secretariat could consider a differentiated approach across portfolios, leveraging elements of the different models presented.

Such differentiation could be based on the criteria used to prioritize portfolios for ORR reporting.²⁴ This would allow consistency with the risk information communicated to the Board. However, it excludes some portfolios that do not meet the criteria, but which are critical to achieving the objectives (e.g., countries that are in the top 10 for one of the disease burdens).

An alternative risk-driven approach could combine different criteria: i) portfolio allocation; ii) residual risk rather than target risk; iii) ability to influence outcomes (e.g., excluding countries where Global Fund investments represent a minor share of the total program funding). Further adjustments could be made based on Country Team maturity. Such an approach would ensure that Secretariat resources focus on the largest and riskiest portfolios based on investment size and alignment with risk appetite. However, it relies on consistent risk ratings across portfolios and could create challenges for reporting if a portfolio is part of the ORR cohort but not prioritized for risk management monitoring and oversight.

The differentiation could be based on the criteria used to prioritize portfolios for ORR reporting. This would allow consistency with the risk information communicated to the Board. However, it excludes some portfolios that do not meet the criteria, but which are critical to achieving the objectives (e.g., countries that are in the top 10 for one of the disease burdens).

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3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Recommendations

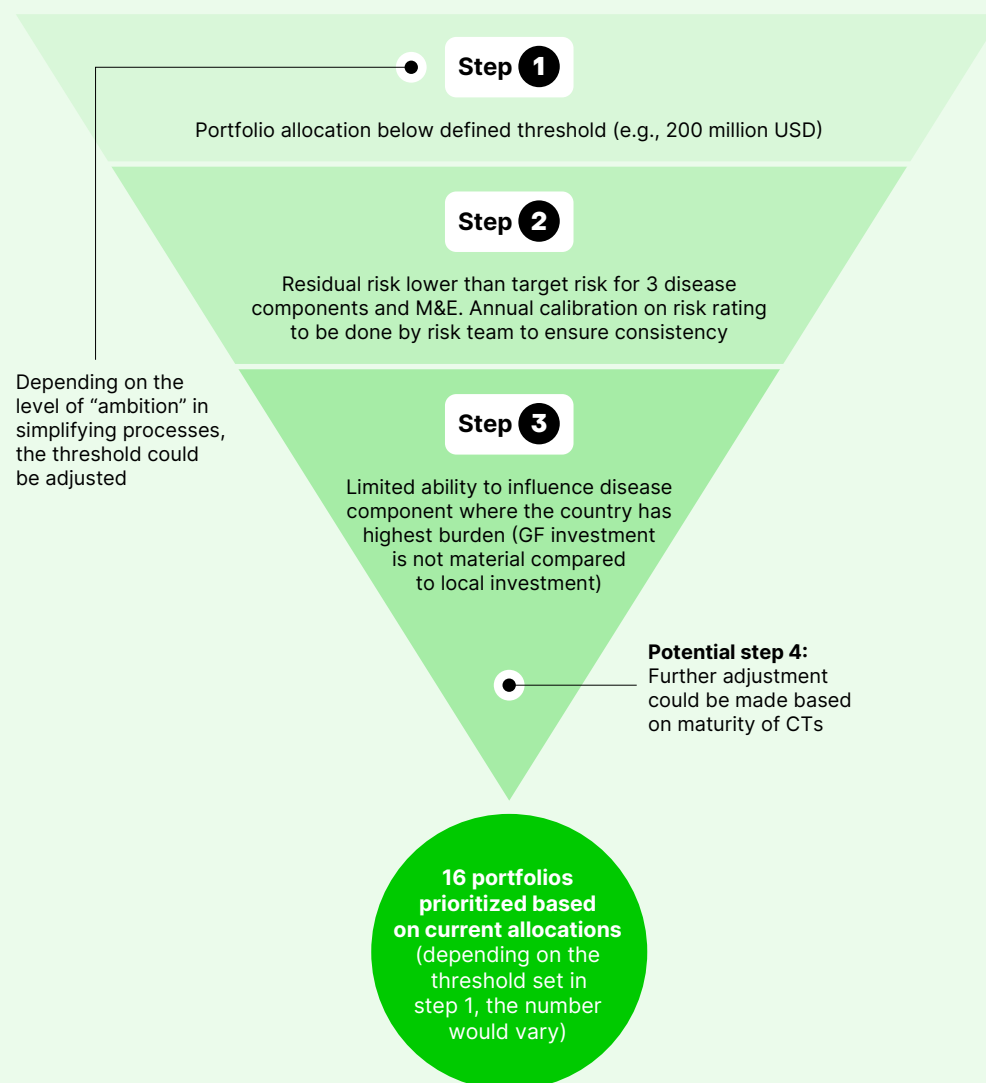
The Global Fund Secretariat needs to determine which second line functional teams are involved in selected options and to what extent.

Figure 7 illustrates the differentiation approach to select portfolios eligible for the risk management model adopted by the Secretariat. The OIG recommends that the Secretariat adopt a broader, consultative approach involving all functional teams when differentiating portfolios, to ensure that significant risk areas or countries are not overlooked.

The choice of which model to apply will influence how findings on risk management processes and roles & responsibilities can be addressed, as laid out in the following recommendations.

FIGURE 7

Illustration of a potential approach to prioritize portfolios



3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Recommendations

2. Differentiate and improve risk management processes and deliverables

Risk management processes and deliverables would need to be adapted based on the chosen model or a combination of the models if Management sees the opportunity to leverage existing Risk Management Capacities.

Model A (Second line oversight removed) allows a significantly more streamlined process:

- Country risk management deliverables would be managed by the Country Teams, in coordination with functional teams (with the Risk Department no longer involved).
- Some risk tools and deliverables could be re-focused on key risks, rather than on comprehensive analyses (e.g., IRM, CRMM).

In *Model B (Risk driven oversight)* and *Model C (Functional teams' driven oversight)*, risk management processes would remain similar to the current approach. Nevertheless, some simplification is recommended. For example:

- Removal of process steps that are currently not considered to be adding value and which are performed mostly for compliance with risk management guidelines (e.g., AFD Risk sign-off).
- Reducing the frequency of certain risk-related deliverables when analysis shows that changes do not justify the current frequency (e.g., quarterly IRM update review).
- Re-focusing some risk deliverables on key risks, rather than on a comprehensive analysis (e.g., CRMM).
- Making some process steps and deliverables more fit-for-purpose (e.g., Key Issue Meeting only to be held when there is disagreement between first and second line, Portfolio Performance Committee covering only key risks and decisions for discussion).

3. Revise and adapt second line risk management role & responsibilities

Second line roles and responsibilities, as well as the level of assurance provided over first line risk management processes, would depend on the chosen model.

In *Model A (Second line oversight removed)*, second line functions would be limited. Risk would continue setting the risk management framework and guidelines, and reporting. Functional teams would no longer have a role in monitoring and oversight of risks but would retain their advisory function (including support to risk identification and mitigation) to the first line.

In *Models B and C*, second line functions include risk monitoring and oversight.

Such a role could be played by either the Risk Department or by functional teams - each model has a specific rationale.

In *Model B (Risk Department driving oversight)*, the Risk Department is responsible for second line monitoring and oversight. This would ensure qualitative risk management inputs to the first line. Such a set up may require a re-alignment of expertise and capabilities in the Risk Department, to have a more balanced mix of expertise (between finance/generalist background, and technical background) and to have sub-teams aligned to operational areas rather than to individual portfolios. Furthermore, despite the capacity building, Risk department oversight would be limited to an enhanced compliance role, reducing thus the level of assurance over first lines' risk management processes. There is risk of conflicting opinions between functional teams and a risk team with greater technical expertise, highlighting the need to clearly define the scope of the risk team's review and establish an escalation mechanism to address such conflicts.

In *Model C (Functional teams driving oversight)*, functional teams would be responsible for monitoring and oversight of risks, with the Risk Department maintaining a risk management policy and framework setting role, as well as risk reporting, but abandoning any current oversight roles on first lines risk management. This would allow targeted and specific oversight of programmatic risks, ensuring quality mitigation measures and assurance. However, for this model to work effectively, a change would be required in the way it is implemented, compared to today. Some functional teams that are currently not performing risk monitoring & oversight would need enhanced risk capabilities, as well as tools and frameworks to perform such a role effectively.

3. Key findings & recommendations to the Global Fund Secretariat

3.1 Risk management processes for country-facing risks

Recommendations

4. Strengthen practices and processes that enable greater reliance on the first line and better embed risk management into day-to-day operations and processes

As the organization considers refocusing on its risk monitoring & oversight, processes and practices need to be strengthened:

First line capability. While Country Teams have evolved and matured over time, there is still some variability. This can be mitigated through different efforts, such as:

- Conducting a regular assessment of first line capabilities, which incentivizes better risk management practices.
- Conducting regular training on risk management processes and tools – particularly for new joiners.
- Expanding the in-depth risk calibration exercises carried out with Risk specialists, subject matter experts on the technical area and first line (some were already performed in 2024).
- Enhancing IRM 2.0 in collaboration with the first line team to make it a more practical day-to-day risk management tool for Country Teams.

Timely and complete escalation of issues. The Secretariat should establish an escalation mechanism to ensure timely communication of issues to relevant stakeholders outside of GMD, for action. The triggers and thresholds of the escalation can include (i) events affecting the reputation of the Global Fund, (ii) events that materially affect the performance of grants, and (iii) financial loss to the Global Fund. To incentivize first line teams, timely escalation of issues should form part of their performance objectives.

Accountability could be further strengthened by:

- Establishing clear tone from the top regarding the direction for risk management: this involves taking calculated and considered risks to maximize impact, in line with risk appetite, and stressing the relevance of appropriate risk management practices and actions to effectively manage grants.
- Integrating a stronger focus on risk management into the performance objectives of first line teams. For example, explicitly including effective risk management practices in the performance evaluation criteria of Country Team members, and corresponding responsibilities for first -line senior management.

Achieving the above is particularly critical to ensure robust risk management practices in case Model A (Second line oversight removed) is applied.

The implementation of either model may be able to build on existing practices and experiences wherever they offer opportunities for greater efficiency and effectiveness.

3. Key findings & recommendations to the Global Fund Secretariat

3.2 Use of risk appetite

Findings

The Risk Appetite framework is currently not effective in supporting decisions on risk trade-offs.

To achieve its mission, the Global Fund invests in many challenging operating environments and faces inherently high levels of risk. The Global Fund aims to ensure maximum impact of grant-funded programs, while maintaining accountability to its donors, and ensuring transparent use of resources.

Implementers and Secretariat staff often face difficult risk trade-off decisions, particularly when the pursuit of better programmatic results may require assuming more risk. The goal of risk management is not only avoiding or controlling risks, but also to take advantage of opportunities or take more risks within an agreed risk threshold to maximize the overall likelihood of achieving the organization's mission and objectives.

Before the approval of a formal risk appetite framework in 2018, the Global Fund Secretariat relied solely on management judgment for risk trade-off decisions. The Board-approved risk appetite framework aimed to improve this process by enabling more informed and confident risk-taking at all levels to achieve strategic objectives.²⁵

The Global Fund risk appetite framework addresses nine key country risks through two dimensions: a risk appetite to provide direction for trade-off decision making, and a target risk level which represents the desired risk exposure that the Global Fund aims to achieve over time. While defining the risk appetite scale for key risks represents a further step towards best practice in risk management, its operationalization so far has been challenging.

The Global Fund's definition of risk appetite framework elements is unique and may have led to a low level of understanding of the same.

An ambition of guiding decision-making is shared by both the Global Fund's risk appetite framework and those of interviewed organizations,²⁶ all of whom recognize the importance of operationalizing it across all levels. Reference organizations' risk appetite frameworks typically assign a risk appetite scale to each key risk. In the case of the Global Fund, the framework goes further by introducing a second dimension: the "risk target level", the desired risk exposure below the stated risk appetite, indicating the level of risk the organization aims to achieve within a defined timeframe. This introduces an inherent tension in the framework, potentially conflicting with the definition of risk appetite as the level of risk the Global Fund is willing to accept to achieve its strategic goals.

Another key difference lies in the definition of the risk appetite scale. Referenced organizations define their risk appetite through broad statements or rating definitions which outline the overall organizational attitude toward risks (*see Annex 1 for examples of definition of risk appetite scale in other organizations*). Conversely, the Global Fund's risk appetite ratings (very high, high, moderate, low) lack clear definitions, hindering both consistency and the practical interpretation of these levels.

The risk appetite approach remains high level, and guidance on how risk appetite can be implemented is not fully effective. Risk appetite level is defined at the risk category level (Programmatic, Supply Chain, Finance, etc.) but not necessarily linked with the Global Fund's key contributory objectives (Prevention, RSSH, etc.) As a result, the utilization of the framework for decision-making at various levels remains challenging and inconsistent.

Trade-off decisions are made without sufficient guidance from risk appetite, making it difficult to ensure appropriate risk-taking.

While the Secretariat regularly monitors and discusses residual risks against target risk level at the Board, Committee, Secretariat and portfolio levels, the practical application of risk appetite to support decision-making has been limited.

At the governance level, various trade-off decisions were made, particularly during the COVID-19 pandemic, to adapt to risks emerging from that context. These include decisions for improving access to life-saving drugs and diagnosis, such as multi-month dispensing for HIV treatment, HIV self-testing, and bi-directional TB/COVID-19 screening and testing. The 2021 update notes²⁷ on risk appetite articulate each trade-off decision made during that period by outlining potential benefits, related risks and mitigation actions. While this exercise was valuable, it is unclear how risk appetite informed these trade-offs beyond broad strategic alignment.

At the Secretariat level, the Portfolio Performance Committee (PPC), as part of its responsibility for implementation oversight, is expected to make risk trade-off decisions and ensure alignment between these decisions and the risk appetite framework set by the Board.²⁸ However, a review of nine sampled portfolios²⁹ revealed no instance where risk appetite levels explicitly guided trade-off decisions made by first line teams or PPC. The template for escalating request for decisions to PPC makes no reference to risk appetite considerations.

²⁵ Global Fund Risk Appetite Framework, 10 May 2018, page 1

²⁶ Not all organizations interviewed have a risk appetite framework in place. The considerations in this chapter refer to those that have one

²⁷ Recommended updates to Risk appetite 46th Board meeting GF/B46/06

²⁸ OPN Country Risk Management section 41

²⁹ The conclusion of OIG is based on the review of a sample of CPR minutes, CRMM and GMFRF for 9 countries in 2022 / 2023: Burkina Faso, Burundi, DRC, Ethiopia, Kenya, Mozambique, Nepal, Senegal, Zambia

3. Key findings & recommendations to the Global Fund Secretariat

3.2 Use of risk appetite

Findings

Without referencing the risk appetite framework, there is a risk that trade-off decisions are made inconsistently, and without fully considering whether the level of risk taken aligns with Global Fund strategic objectives and tolerance. Its underutilization could lead to suboptimal or inconsistent risk-taking across the organization.

Several challenges limit the risk appetite framework's usefulness to inform trade-off decisions across the organization:

Misaligned level of risk appetite: The current practice of aligning risk appetite ratings with residual risk levels for each key risk deviates from practices observed in comparable organizations. This method reduces the framework's effectiveness as a decision-making tool, as it fails to serve as a benchmark for decision-making and risk management strategies.

The current approach does not define Key Risk Indicators (KRI) for each key/strategic risk identified, the current score of each KRI, the target as per the risk appetite statement, and the acceptable tolerance. All these elements are part of the best practices in defining the risk appetite framework.

Insufficient understanding of the risk appetite framework: Because the Global Fund has chosen a particular approach to Risk appetite that deviates from best practices, the first- and second line stakeholders interviewed showed a limited understanding of the risk appetite framework hindering its use in supporting their day-to-day decisions. This deficiency may partly derive from the points outlined above, but also from inadequate training in operationalizing the framework.

Lack of guidance to operationalize the framework: The risk appetite framework primarily emphasizes reducing residual risk to target risk levels, with a lack of guidance as to what are risk trade-offs, and how to take calculated risks in consideration of current risk appetite rating.

The Global Fund's challenge in operationalizing its risk appetite framework is not unique. Developing the tools to operationalize the risk appetite takes time and consultation. IFIs and other international organizations attempt to operationalize risk appetites by (1) establishing key risk indicators to quantitatively measure risk levels, and (2) setting thresholds for those key risk indicators so that risk owners understand when they are operating within or outside the risk appetite. Establishing these key risk indicators and tolerances requires extended consultation with business units and relying on available data.

3. Key findings & recommendations to the Global Fund Secretariat

3.2 Use of risk appetite

Recommendations

*** Recommendation

Revisit the Risk Appetite Framework, align it more with best practices, and ensure it contains the key elements needed to support decision-making.

The Secretariat should revise the risk appetite framework by:

- Defining the risk appetite for each category of eligible risks in the Organizational Risk Register. This will require determining the main authorized actions and flexibilities that the risk appetite level involves.
 - Defining at risk and grant level the Key Risk Indicators that will be measured as part of determining if a risk is within or outside the risk appetite.
 - Determining targets for each KRI, and triggers which will support escalation of risks/decisions at each level of the organization, following the level of risk appetite. Establishing triggers aims to enhance decision-making agility by empowering first line teams with clear risk management boundaries aligned with risk appetite. These triggers define acceptable risk levels at each operational level, enabling efficient and responsive decisions.
- Providing guidance on how risk appetite can be used to develop options for trade-off decisions.

A monitoring mechanism should be established to assess the agility and effectiveness of making trade-off decisions by using risk appetite, adjusting the framework as needed.

Two illustrative examples (one for corporate risk and another for grant-facing risks) of how risk appetite definition and determination of triggers could be done at the Global Fund are presented in figure 8a & 8b below. This was elaborated by the OIG team with input from the Risk team and considered examples of risk appetite definitions from other organizations.

FIGURE 8a
Illustrative example of risk appetite for corporate risk (no actual data)

Risk Category	Risk Appetite Level	Rationale	Risk Register Top Risks	Key Risk Indicators (KRI)	Current Score	Target level	Requires escalation	Unacceptable level
Talent Management	Moderate ²⁹	Attracting and retaining talents is critical for the Global Fund. The Global Fund accepts moderate risks in HR policies to foster a diverse and dynamic workforce.	Risk #7: Failure to attract, engage and retain talent	1. Recruitment offers declined as % of offers submitted	30%	< 10%	11 – 25%	> 25%
				2. Employee engagement survey – talent management score	55%	> 80%	70 – 80%	< 70%
				3. Turnover rate in critical roles	13%	< 10%	10 – 20%	>20%

3. Key findings & recommendations to the Global Fund Secretariat

3.2 Use of risk appetite

Recommendations

FIGURE 8b

Example: In-Country Supply Chain risk example (illustrative)

Step	Decision-level	In-Country Supply Chain example
1 Define overall risk appetite levels	BOARD / AFC	High means “areas in which the Global Fund prefers evidence-based and disciplined risk-taking because it has been determined that the potential opportunities and/or upside benefits outweigh potential threats or downside costs” ¹
2 Determine key risk drivers where trade-off decisions may be needed	BOARD / AFC	The Global Fund Board has expressed a “High” risk appetite for ICSC and is therefore open to making trade-off decisions on following key ICSC risk drivers: • ICSC arrangement and governance (e.g. use of national system along with its weaknesses) • Inventory management (systems, controls, storage conditions) • Logistic and ICSC data management
3 Determine measurable triggers or events which may require escalation and trade-off decision	SECRETARIAT	• OSA (on shelf availability): < XX% together with Stock according to plan (SATP): < XX% and In-country OTIF (On Time In Full): < XX% • % of expired products or at risk of expiry at central level: to define by type of product • % of loss of health products due to leakage and theft • Country residual risk exceeding overall residual risk for two consecutive years. • Sudden damage of key ICSC infrastructure causing an interruption of ICSC (e.g. warehouse fire, flood)
4 Identify predefined options/actions to support trade-off decision-making based on key drivers	SECRETARIAT	ICSC arrangement and governance (e.g. use of national system along with its weaknesses) • Use alternative supply channels of stakeholders other than government (e.g. International organizations, humanitarian organizations, NGO, political stakeholders) in case of crisis. Flexibilities, e.g., around controls & reporting, as well as cost of inaction should be considered. Inventory management (systems, controls, storage conditions) • Build strong safeguard and assurance mechanism by investing up to XX% of overall health product value. Logistic and ICSC data management • Consider alternative storage / distribution arrangement without severely compromising sustainability of national system.
5 Set criteria and threshold to determine who (country team, Regional Managers / Department Heads, PPC) should make trade-off decision in case of triggers/events	SECRETARIAT	• XX% of investment associated to the decision compared to overall portfolio/grant amount. • Cost of inaction (expressed in terms of XX number of days of treatment disruption, % of losses, XX% of patients affected) • Deviation from predefined options listed in step 4 • Deviation from GF internal policies (e.g. procurement manual) • Reputational risk associated to the decision

Note: (1) suggested definition reflects the definition of “High” risk appetite used by another organization.

3. Key findings & recommendations to the Global Fund Secretariat

3.3 Risk information for decision-making

Findings

3.3.1 Risk information provided to the Board and Committees could be streamlined for better readability, and adapted to better support decision-making

As per the Global Fund Risk Management Policy and the Enterprise Risk Management Framework (March 2023) the Chief Risk Officer is required to prepare and submit the following to the Board / Committees:

- Bi-annual risk report to the Committees on overall risk environment.
- Annual assurance report to the Board on the effectiveness of risk management and mitigations.
- An Organizational Risk Register (ORR) which is updated and validated by the Management Executive Committee (MEC) every quarter. The ORR documents Global Fund key risks by describing each risk, severity of the risk, mitigation actions, direction of travel, and progress to target level risks.

Analysis of a sample of reporting and interviews to Committee and Board members highlighted the change opportunities described below.

Room for improvement in how the Risk Register is presented and updated

Overall, the Risk Department's deliverables meet the ERM policy's timeliness and content requirements. However, the OIG review identified opportunities for improvement in both the content of the ORR and the efficiency of the process to update it.

The Global Fund has evolved significantly in how risks are captured and measured. The current framework defines 22 risk categories in the risk register – 13 grant-facing risks and 9 corporate risks. Within the 13 grant-facing risks categories there are 35 sub-categories. The classification of risks by categories has been very helpful to create a common understanding of the organization's risks and to ensure consistency among various portfolios. The link between these categories and strategic objectives is not very clear, because risks are reported by category, rather than in terms of criticality to the achievement of strategy.

The current reporting approach shows risks at an aggregate disease level (Program Quality Malaria – High) rather than emphasizing the exact risk the organization is facing – e.g. Risk #1: Failure to reduce malaria incidence due to delayed implementation of vector control activities and other external factors (see figure 9 below).

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3.3 Risk information for decision-making

Findings

FIGURE 9
Extract of Organization Risk Register

Risk Name		Residual Risk	Risk Appetite	Target Risk Level and Due Date		Direction of travel	Ability to mitigate
1	Program Quality HIV	Very High ▲	Moderate	Moderate	N/A	Increasing ↑	MODERATE
2	Program Quality TB	High	High	Moderate	Jun-2025	Increasing ▲ ↑	MODERATE
3	Program Quality Malaria	Very High	Very High	High	Dec-2025	Increasing ↑	MODERATE
				Moderate	TBD		
4	Monitoring & Evaluation (M&E)	Moderate	Moderate	Moderate	N/A	Increasing ↑	MODERATE
5	Procurement	Moderate	Moderate	Moderate	N/A	Increasing ▲ ↑	SIGNIFICANT
6	In-Country Supply Chain (ICSC)	High	High	Moderate	Dec-2025	Increasing ▲ ↑	MODERATE
7a	Grant-Related Fraud & Fiduciary	Moderate	Moderate	Moderate	N/A	Increasing ▲ ↑	MODERATE
7b	Accounting & Financial Reporting by Countries	Moderate	Moderate	Moderate	N/A	Steady →	MODERATE
8	In-Country Governance	Moderate	Moderate	Moderate	N/A	Increasing ↑	MODERATE
9	Quality of Health Products (QHP)	Moderate	Moderate	Moderate	N/A	Steady →	MODERATE
10	Human Rights & Gender Equality	High	N/A	N/A	N/A	Increasing ↑	MODERATE
11	Transition	High	N/A	N/A	N/A	Increasing ↑	MINOR
12	Drug & Insecticide Resistance	High	N/A	N/A	N/A	Increasing ↑	MODERATE
13	Ethical Misconduct and SEAH	High	N/A	N/A	N/A	Increasing ▲ ↑	MODERATE
14a	Future Funding Donor Funding	High	N/A	N/A	N/A	Increasing ↑	MODERATE
14b	Future Funding Domestic Health Financing	Very High	N/A	N/A	N/A	Increasing ▲ ↑	MINOR
15	Internal Operations	Moderate	N/A	N/A	N/A	Steady →	SIGNIFICANT
16	Integrated Grant Policies, Processes, Systems & Data	Moderate	N/A	N/A	N/A	Increasing ↑	SIGNIFICANT
17	Risk Management & Internal Controls	Moderate	N/A	N/A	N/A	Increasing ↑	SIGNIFICANT
18	Legal	Moderate	N/A	N/A	N/A	Steady →	MODERATE
19	Governance & Oversight	Moderate	N/A	N/A	N/A	Increasing ↑	SIGNIFICANT
20	Organizational Culture	Moderate	N/A	N/A	N/A	Increasing ↑	SIGNIFICANT
21	Workforce Capacity, Efficiency & Wellbeing	High	N/A	N/A	N/A	Increasing ↑	SIGNIFICANT
22	Reputation	High	N/A	N/A	N/A	Increasing ↑	MODERATE

▲ Increased compared to previous quarter ▲ Qualitative adjustment, not based on IRM re-calibration ▼ Decreased compared to previous quarter

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Similarly, for corporate risk, reporting is based on a broad category – Workforce Capacity, Efficiency & Wellbeing, rather than the specific key strategic risk the organization faces – e.g., Risk #2 Failure to attract, engage and retain talent.

In addition, the ORR does not capture some key risks frequently discussed at Board / Committee or MEC level, including Resilient and Sustainable Systems for Health (RSSH), and climate change (currently limited to malaria). The country-facing risk categories have been recently updated with the introduction of the RSSH category and the Risk team is planning to update the ORR accordingly.

The OIG observed that the ORR remains relatively stable, mainly because the inherent high risks associated with the Global Fund's operating environments often limit the potential for risk reduction. Despite this, the Secretariat continues to invest time in updating the ORR each quarter. For example, the residual risk level has changed in six of the nine reviewed ORRs since the start of 2022, but in each of these quarterly updates, only one out of 22 risks experienced a change in residual risk level. The detailed text of the ORR (e.g., key drivers, current response, planned response) does not change significantly between quarters.

Finally, the length of the ORR (36 pages) limits Committee members' ability to identify significant risks in a snapshot.

Mixed perceptions among Board and Committee members on the value add of risk reporting

The OIG interviewed 17 Committee members, four of whom are also Board members, about the quality, completeness, usefulness, frequency, and timeliness of risk reporting. While interviewees acknowledged the risk reports' quality, they identified several areas for improvement to better support discussions, trade-off decisions, and Committee deliberations:

- **Misaligned risk perception:** There is a disconnect between Secretariat risk assessments and Board/Committee focus. For instance, some Committee members questioned the "moderate" rating for in-country governance risk, noting it contradicts the significant Board attention given to Country Coordination Mechanism issues (a key component of that risk), as evidenced in the Global Fund 52nd Board meeting and Coordinating Group's key topics.

- **Repetitive information:** Risk reports, particularly the ORR, often duplicate information found in other reports. For instance, ORR mitigation actions for key risks are often already detailed in the Strategy Performance report shared with the Strategy Committee.

In addition, the Global Fund Board and its committees regularly receive risk and assurance reports from various other functions, including the OIG, Evaluation & Learning Office (ELO), and the External Auditor. These reports offer diverse perspectives on both specific and overarching risks.³⁰ While internal sharing occurs before reports are shared with the Board and committees, there are opportunities for the Risk team to enhance coordination among assurance providers' reports.

- **Lack of customized content:** the static format and content of risk reports do not align with the dynamic nature of Board/Committee discussions, necessitating a more tailored approach. For example, the Organizational Risk Register (ORR) presents the 22 key risks uniformly, lacking prioritization. This hinders recipients from focusing on the most critical and current risks, potentially limiting effective discussions and follow-up actions.
- **Insufficient detail:** Current risk reports lack regional insight, hindering the connection of risks to assurance providers' reports (e.g., OIG country audit reports) and the assessment of mitigation action. The absence of trends, regional examples, and a clear risk rating methodology limits their usefulness for discussions and decision-making [note: two out of 17 interviewees did not consider this lack of detail a significant impediment to fulfilling their committee duties].

³⁰ ELO reports focus on programmatic risks and impact, while the External Auditor assures the reliability and accuracy of financial statements including underlying internal controls and reliability of key financial systems and platforms. The OIG and Risk Department cover a broad spectrum of risks including those covered by ELO and the external auditor, with varying levels of detail aligned with their respective mandates.

3. Key findings & recommendations to the Global Fund Secretariat

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3.3.2 Opportunities to better leverage Risk Department insights in Secretariat trade-off decisions

The Risk Department provides senior management with various reports. In addition to the governance bodies reports shared for review and validation, it periodically shares the results of its reviews to the MEC through updates on Key Business Process Review (KBPR) outcomes when relevant improvement actions have been implemented or are due.

Regarding support for decision-making, the Risk Department provides input in three different ways, in addition to the risk-specific processes (including the PPC/CPR) described in earlier sections:

- **Direct contribution of Chief Risk Officer (CRO):** As a MEC member, the CRO provided insights and contributed directly to leadership discussions. Following the departure of the former CRO in December 2024, the risk team initially reported to the Executive Director and now reports to the Chief Ethics Officer.
- **Participation in working groups:** The Risk Department was recently part of different working groups to support decision-making, e.g., co-leading a risk-based assurance review for programmatic results.
- **Providing ad-hoc analysis to senior management:** Upon request of senior management, the Risk Department has performed risk analysis to inform trade-off decision.

3. Key findings & recommendations to the Global Fund Secretariat

3.3 Risk information for decision-making

Recommendations

★★★ Recommendations

1. Enhance risk reporting to governance bodies, to better support trade-off decisions and discussions

The Secretariat could enhance risk reporting to governance bodies, to make it more focused and better aligned with strategic priorities. Risk reports could be customized to better reflect strategy and Board and Committee agendas, focusing content on priority discussion topics. Reports could highlight (a few) key risks clearly – moving away from the defined categories as needed (e.g., including topics such as funding level or leadership change). This approach jeopardizes concentrating risk management within fewer specific Global Fund Committees (i.e., Strategy Committee). This will require further assessment to ensure risks are adequately distributed among the Board Committees in line with their competencies.

A comprehensive update against the ORR could be done with reduced frequency, e.g., semi-annual rather than quarterly submissions. Deep-dive analysis related to the main changes in the ORR could be communicated where needed.

The Risk team could enhance coordination with assurance providers (OIG, ELO, External auditor) with the aim of improving the quality of risk reporting. For example, they could focus on identifying forward-looking risks and consolidating various sources of assurance to understand their overall impact on risk management. Integrating predictive analysis with lessons learned from past events would enhance the team's ability to anticipate emerging risks and provide more meaningful insights to the Board and Committees.

The ELO, OIG and Risk Department can further coordinate their reports and agree on specific risk management areas where each team can deep dive based on its core area of expertise and focus. For example, the OIG through country audits and thematic audits at the Secretariat can offer more detailed insights into specific risks, while the Risk Department's close collaboration with country teams facilitates in-depth reporting on mitigation efforts for the most critical risks.

The Secretariat should further engage with Board and Committee members to understand their information needs, and the level of granularity (e.g., consolidated or regional) required to support strategic decision-making, and tailor its reporting accordingly.

An illustrative example of an alternative approach to report on key risks in detailed in Figure 10 below:

3. Key findings & recommendations to the Global Fund Secretariat

3.3 Risk information for decision-making

Recommendations

FIGURE 10
Illustrative example of risk reporting

Top risks as of July 2025

Highest priority risks (no particular order)

- Failure to deliver Key Population interventions and reduce HIV incidence
- Failure to meet domestic financing commitments
- ...

Other top risks (no particular order)

- Failure to attract, engage and retain talent
- ...

Risk: Failure to deliver Key Population interventions and reduce HIV incidence

Likelihood / triggers: what causes this risk

- Barriers to accessing effective services due to geographic, financial, service quality, human resources, and gender and human rights considerations
- Severe gaps in implementation arrangements
- ...

Impact: what are the consequences if the risk materializes

- Failure to find undiagnosed HIV cases
- Failure to reach those at high risk of HIV infection with effective prevention options
- Failure to timely initiate and support continuity of effective treatment and sustain viral load suppression

Risk owner:

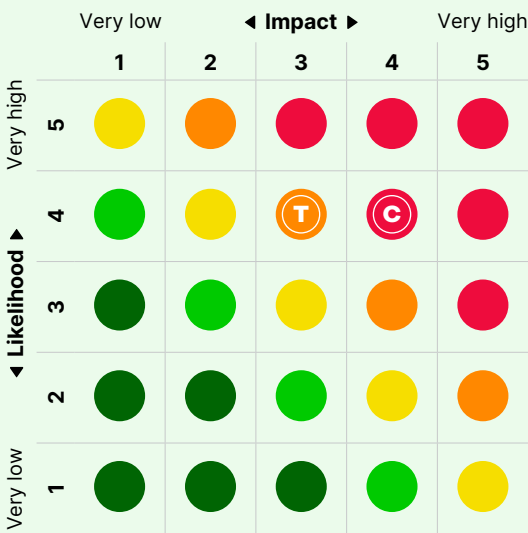
- ...

Risk level

- Current impact: 4; current likelihood: 4
- Target impact: 3; target likelihood: 4

Mitigating actions

- Mitigating supply interruptions
- Supporting policy, regulatory updates
- Differentiated HIV testing



C Current level of risk
T Target level of risk

4. Annex

4.1 How peer organizations define risk appetite scale³¹

WFP

Risk appetite statements

WFP's risk appetite reflects its overall approach to risk management, affirming its commitment to identify, measure and manage risks as it seeks to reach the people vulnerable to food insecurity and malnutrition while at the same time safeguarding resources. WFP's mission towards zero hunger requires risk taking and operating in difficult environments, including conflict zones. The question is often not whether to engage, but how to engage in a way that minimizes and contains risk while maintaining conformance with the humanitarian principles.¹ WFP therefore places a strong emphasis on a risk-aware culture that relies on management judgment to make decisions that enhance value, deliver on its humanitarian and development objectives, and is aligned with WFP's core values.

For **strategic** risks, WFP may be characterized as 'risk hungry': WFP designs and implements its programmes in difficult contexts. It is voluntarily funded and needs to actively manage its external relationships with donors, host governments and partners. It must continually adapt its business model to changing needs and operating environments. For **operational** and **financial** risks, WFP is 'risk averse', continually seeking to improve its internal controls and mitigate risks within the constraints of cost and efficiency. For **fiduciary** risks, WFP is 'highly risk averse': whilst it accepts that it remains exposed to these risks, WFP recognizes its duty of care to staff, its obligations to stakeholders, and commits to take prompt and effective action on matters of internal conduct.

EBRD

9. Climate Risk Appetite

- 9.1 The Bank has an overarching ambition to manage its exposure to clients with businesses that emit material harmful emissions and to expand its financing activities in areas that encourage transition to greener business models, in particular supporting the pathways and commitments made by the governments of its Countries of Operation and individual clients, to achieve net zero emissions. The Bank also intends to expand its lending in areas that strengthen resilience of its clients to the effects of climate change.
- 9.2 Specifically, the Bank has committed to raise the share of total annual investments that meet its Green Economy Transition criteria, from 40% to 50% by 2025 and in addition that its activities will be aligned with the goals of the Paris Agreement by 2023.

IFAD

25. IFAD's RA is articulated across a scale from high to low, representing IFAD's attitudes towards risks, the amount and type of risk the Fund is willing to accept in pursuit of its objectives and the potential outcomes that may derive from the different approaches. Definitions of the different levels in IFAD's risk appetite scale are provided in table 1 below:

Table 1
IFAD risk appetite scale

High	A high risk appetite means the organization is willing to take risks in pursuit of its objectives, even if there is a high possibility of a deviation from expected outcomes, which can hardly be anticipated or mitigated with ad hoc controls. The organization accepts the possibility of the impact of residual risks remaining high if the potential benefits are expected to outweigh potential costs.
Substantial	A substantial risk appetite means the organization is willing to take risks in pursuit of its objectives even if there might be a degree of uncertainty as to expected outcomes but the potential benefits are greater than potential costs. The controls implemented to mitigate risks are expected to reduce the likelihood and/or the impact of residual risks, which can remain material, but below the inherent level.
Moderate	A moderate risk appetite means the organization is willing to take a cautious approach to justified risks that are outweighed by moderate expected benefits. The controls implemented to mitigate the risks are expected to reduce the likelihood and/or the impact of residual risk to a reasonable level.
Low	A low risk appetite means the organization is willing to take a prudent risk management approach in the pursuit of its objective and is intentionally being conservative. The controls implemented to mitigate the risks are expected to reduce the likelihood and/or the impact of residual risk to a minimum level.

³¹ These screenshots come from World Food Programmes Risk Appetite Statements, International Fund for Agricultural Development Risk Appetite Statement, European Bank for Reconstruction and Development Risk Appetite Statement

4. Annex

4.2 Methodology

Purpose

Advisories, in accordance with the OIG Charter, aim at providing value-added input to improve the governance, risk management, and control processes of Global Fund financed programs. Advisory engagements are designed to inform Secretariat decision-making on setting strategic visions, strengthening programmatic delivery, and optimizing operational effectiveness.

Objectives and scope



The objectives and scope of each advisory engagement are defined in close collaboration with the requestor or sponsor, based on a clear understanding of the underlying problem statement. Objectives are framed to reflect the intended outcomes and the key decisions the advisory is expected to inform. The scope may be narrow or broad, depending on the context and needs of the sponsor, and should clearly outline the areas of focus – whether in terms of review, analysis, stakeholder engagement, or recommendations. This clarity ensures alignment between the OIG and the sponsor on the parameters of the engagement and a shared understanding of what constitutes success, thereby enhancing the relevance and value of the advisory work.

Description of the “as-is”



To effectively address the problem statement, OIG advisory engagements begin by developing a comprehensive understanding of the pain points and areas for improvement within the current state across all areas in scope. This involves the collection and analysis of both quantitative and qualitative data, which may include reviews of internal and external documentation, interviews with Secretariat subject matter experts, internal surveys, and the development of data models. To validate findings and test hypotheses regarding potential areas for improvement, the current state is typically assessed against recognized best practices, performance benchmarks, peer organizations, and insights from external experts. This comparative analysis strengthens the credibility of the advisory and supports the formulation of targeted, high-value recommendations.

Design of the “to-be”

Recommendations developed through advisory engagements are grounded in evidence, aligned with the engagement objectives, and tailored to the specific context of the Global Fund. They aim to be actionable, relevant, and strategically focused –supporting informed decision-making without implying implementation responsibility. Where appropriate, the OIG may outline a high-level implementation roadmap to help visualize potential pathways forward, including key enablers, risks, and decision points. This approach ensures that recommendations are not only insightful but also practical, enhancing their value and usability for the Secretariat.

OIG standards and principles

The OIG delivers advisory services in alignment with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Global Institute of Internal Auditors (IIA). These standards ensure the quality, professionalism, and integrity of the OIG’s work. The advisory approach is governed by the OIG Charter, Code of Conduct, and tailored terms of reference for each engagement, which collectively enable advisors to operate efficiently and effectively while maintaining high professional standards. These frameworks also serve to safeguard the independence and objectivity of the OIG, reinforcing the credibility and trustworthiness of its advisory outputs.