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# Global Fund Ethics Office Annual Report and Opinion 2020

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## 45<sup>th</sup> Board Meeting

GF/B45/09\_Rev1

11-12 May 2021, *Virtual*

### **Board Information**

Purpose of the paper: This paper covers the Ethics Office's Annual Report and Opinion for 2020.

## Context

This paper presents the attached Global Fund Ethics Office Annual Report and Opinion 2020.

## Questions the report addresses

- A. What is the Ethics Officer's Opinion<sup>1</sup> on the state of ethics and integrity across the Global Fund?
- B. What progress has the Global Fund made in ethics in 2020?
- C. What progress has been made with the Global Fund's ethics program during 2020?
- D. What impact has this progress had on our ability to deliver our mission?

## Input Sought

The Board's input is sought on the opinion and progress report, with a view to improving the focus and effectiveness of the Ethics program going forward.

## Input Received

This report has been shared with the Ethics and Governance Committee (EGC), Audit and Finance Committee (AFC), Office of the Inspector General and the Management Executive Committee. A number of Board constituencies provided input in the earlier draft presented to the EGC.

At the 15th Committee meetings in March 2021, the EGC considered the Ethics Office assessment on the maturity of the ethics and integrity framework and function, as well as the operational updates on Ethics Office projects and activities. The AFC considered progress in implementing the Global Fund Policy to Combat Fraud and Corruption (PCFC).

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<sup>1</sup> This Opinion is delivered in accordance with article 2.a.i of the Terms of Reference of the Ethics Officer, as set forth in Annex 1 to GF/B33/ER08 and approved by the Board pursuant to decision point GF/B33/EDP14. The Ethics and Governance Committee, in accordance with its Charter, is responsible for advising the Board on the adequacy and effective implementation of the Global Fund's ethical policies and operation of related systems, based on the reports and annual opinion of the Ethics Officer.

# Ethics and Governance Committee Report

## Global Fund Ethics Office 2020 Annual Report and Opinion

GF/B45/09  
45th Board Meeting  
11-12 May 2021, Virtual



## The Ethics Office

**MISSION:** The Ethics Office strives to **embed an ethical and integrity driven culture** where Global Fund Officials and all those involved in activities financed by the Global Fund apply and implement the core ethical values of the Global Fund: **integrity, duty of care, accountability, dignity and respect** and where **ethical decision making** is lived daily.

**ETHICS VISION:** Global Fund where *how* we deliver our work enhances *what* we deliver; where a strong ethics and integrity program inspires stakeholder trust and an integrated compliance and anti-corruption program safeguards resources dedicated to health.

**WHAT WE DO:** We promote ethics and integrity-related values, systems and practices, and facilitate the prevention, detection and response to unethical practices at all levels of the Global Fund:

To varying degrees we engage with these <b>stakeholders</b> ...	...on these <b>topics and</b> to mitigate these <b>risks</b> ...	...conducting the following <b>program activities</b> to address the topics and risks.
<p><b>Operations</b></p> <ul style="list-style-type: none"> <li>▶ Implementers serving those impacted by the diseases (PRs, SRs)</li> <li>▶ CCMs</li> <li>▶ Direct suppliers (PPM &amp; non-PPM)</li> <li>▶ Assurance providers (including LFAs)</li> </ul> <hr/> <p><b>Secretariat</b></p> <ul style="list-style-type: none"> <li>▶ Leadership, staff, consultants</li> <li>▶ Private sector partners</li> <li>▶ Indirect suppliers</li> <li>▶ Strategic initiatives</li> </ul> <hr/> <p><b>OIG</b></p> <ul style="list-style-type: none"> <li>▶ Leadership, staff, consultants</li> <li>▶ Investigations unit</li> </ul> <hr/> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>▶ Board and leadership</li> <li>▶ Committees</li> <li>▶ TRP &amp; TERG</li> <li>▶ Ad-hoc (e.g. BLNC, EDNC, IGNC)</li> </ul>	<p><b>Promoting ethics:</b></p> <ul style="list-style-type: none"> <li>▶ An enabling culture (Including speaking up)</li> <li>▶ ‘Ethics inside’ our decision-making process (Considering values and moral principles)</li> </ul> <hr/> <p><b>Managing ‘core’ ethics and integrity-related risks:</b></p> <ul style="list-style-type: none"> <li>▶ Conflict of interest</li> <li>▶ Corruption (‘prohibited practices’)</li> <li>▶ Abuses of power / interpersonal misconduct</li> <li>▶ Sexual exploitation and sexual abuse</li> <li>▶ Sexual harassment</li> <li>▶ Failure to protect assets</li> <li>▶ Confidentiality / privacy breaches</li> </ul> <hr/> <p><b>Supporting management of other risks with an ethical component:</b></p> <ul style="list-style-type: none"> <li>▶ Environmental breaches</li> <li>▶ Human rights breaches</li> <li>▶ Labor, health &amp; safety issues</li> <li>▶ Actions undermining achievement of other SDGs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Promoting and enabling tone at the top</li> <li>▶ Performing &amp; supporting risk assessment</li> <li>▶ Applying and coordinating resources</li> <li>▶ Supporting clear accountabilities &amp; incentives</li> <li>▶ Developing, supporting, operating and advising on policies, procedures, &amp; controls (inter alia):                         <ul style="list-style-type: none"> <li>- Contracts</li> <li>- Conflict of Interest and other policies</li> <li>- Codes of Conduct</li> <li>- Due Diligence Processes</li> <li>- Risk Management Processes</li> <li>- Controls, Assurance &amp; Oversight</li> </ul> </li> <li>▶ Developing &amp; delivering training and communications</li> <li>▶ Supporting whistleblowing and investigations</li> <li>▶ Supporting response: enforcement, sanctions and other remedies</li> <li>▶ Monitoring and Testing</li> <li>▶ Reporting to MEC, Committees &amp; Board</li> </ul>

**AUTHORITY:** The Ethics Office operates under the leadership of the Ethics Officer, who has the authority to advise both the Ethics and Governance Committee and the Executive Director.

## Contact us

The Ethics Office is committed to the principles of accessibility, impartiality and confidentiality. Queries may be sent to the **confidential mailbox**: [globalfundethics@theglobalfund.org](mailto:globalfundethics@theglobalfund.org)  
 Visit us in our **offices at the Global Health Campus 4th Floor**

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# 1. Executive Summary

The purpose of the Global Fund's Ethics and Integrity Framework is to enable the Global Fund to remain trusted to deliver our mission. In late 2019, stakeholders demonstrated that trust with the largest replenishment to date. In 2020, the Global Fund partnership faced a major test as we adapted to the impact of the Covid-19 pandemic. Our core values were present throughout the response, contributing to retaining the trust of stakeholders through the initial stages of this ongoing pandemic.

## The Global Fund's Ethics in 2020

There are many examples of how our core values and ethics have implicitly informed our actions: The **duty of care** to those most impacted by Covid-19 and the three diseases was inherent in promoting the voice of communities in shaping the response, and in seeking to understand and address program disruptions at a detailed level in country. **Integrity**, and controls over integrity, in our core funding request and grant-making processes was maintained. **Accountability** was maintained through regular engagement with the Board and a robust business continuity management approach that consciously made risk trade-offs at the right levels of authority. Our own people treated each other with **dignity and respect**, through the major efforts to stay safe and supported throughout this challenging time.

Other ethical values were even more present and explicit, most notably **equity and solidarity** in collaborating to form ACT-A in the recognition that the Covid-19 pandemic is not over until it's over everywhere.

## Measuring and maintaining Trust

The Global Fund made specific investments to meet evolving expectations and maintain the trust of stakeholders. Examples include successfully completing three EC pillar assessments and maintaining a high ranking in Publish What You Fund's 2020 Aid Transparency Index.

The return on this investment can be hard to quantify, sometimes showing up as the 'absence' of bad things happening. However, evidenced in part by continued and increased donor funding, the Global Fund clearly remains 'trusted to deliver'. This is the result of visible and substantial efforts by all involved to stay focused on our mission whilst playing our role in the broader global health landscape.

## Opinion

This year, we measured the maturity of the Ethics and Integrity program using the framework published by the Ethics & Compliance Initiative.<sup>1</sup> The Framework measures maturity against five principles - relating to business strategy, risk management, culture, speaking up and accountability - using a five-point scale.

I assess the maturity of the Global Fund's Ethics and Integrity program in aggregate to be at the top of the **defining** level, the second in the five-point maturity scale.

In addition to the ECI Framework, we also assessed the state of the E&I program as applied to key ethics risks, and to Governance, Secretariat, and Operations, concluding for example that the program is strong in relation to conflict of interest risk management but needs further development when applied to our grant operations, and in relation to Protection from Sexual Exploitation and Abuse. This is explained more fully in the body of the report.

## Improving maturity

The Global Fund should aim to uniformly achieve the third maturity level, **adapting**, for all the ECI principles as a basis for further improvements.

The program as applied to Governance should be maintained with an emphasis on efficiency. The Secretariat should capitalize and continue with 2020's progress on staff engagement, psychological safety and strengthened accountability mechanisms. In terms of Operations, there now needs to be a systematic application of the program to in-country conduct and ethics risk management. The foundations for this are in place, including the embedded risk management framework that includes conduct in the Organizational Risk Register and the Performance and Accountability Framework that clearly defines accountability for core business processes. We can now also draw lessons from our experiences of supporting countries on diverse ethics matters.

<sup>1</sup> The [Ethics and Compliance Initiative's High Quality E&C Program measurement framework](#) is a respected benchmark which assesses five principles over five levels of maturity. The maturity levels are broadly comparable with the scale used by OIG. Whilst focused on commercial organizations, this framework is adaptable and relevant to our context.

## Ethics and Integrity Program 2020 Progress

The Ethics and Integrity Program adapted to Covid-19 in 2020. Following a last field mission in February, training and engagement activities were all delivered virtually. We also moved to a more 'pull-based' approach, prioritizing requests for support and advice from across the Global Fund over our planned initiatives to strengthen the program. This reduced the 'change burden' on a stretched organization but delayed some project activity and hence closure of AMAs.

Nevertheless, good progress has been made and this is further detailed in the report. Highlights include the ongoing roll-out of the Code of Conduct for CCM Members, approval of the new Conflict of Interest Policy and Code of Conduct for Governance Officials. The ongoing application of the anti-corruption measures to selected pilot grants yielded valuable lessons, especially the benefits of engaging programmatic experts in a cross-functional team in fraud risk assessment and control design team taking into account financial and programmatic risk triggers. After a delay, we made rapid progress in addressing the risk of sexual exploitation, abuse and harassment (SEAH), which has continued at pace in 2021 through approval of the strengthened codes of conduct and their progressive implementation.

## Looking ahead

At a granular level, the 2021 Ethics workplan deliberately focuses on 'finishing what we started', balancing projects with caseload, knowing that with the ongoing pandemic resources will be stretched and diverted. We aim to robustly address PSEAH and child protection, and begin the transition towards a more systematic risk-based approach to applying the program to our implementers, as well as completing the outstanding AMAs that embed the framework.

More broadly, the development of the next Global Fund strategy is well underway. The process itself is inherently 'ethical' – inclusive of stakeholders, data-informed, considering ethical values, generating clear options and addressing trade-offs. We should also consciously consider the desired culture and values needed to successfully deliver on that strategy – examples might cover clearer **accountabilities** for all those in the partnership, greater **inclusion** and **agency** for communities impacted by the diseases, or improved **collaboration** that recognises our position in an integrated health, environment and economic ecosystem. I look forward to that debate.

**Nick Jackson**  
February 2021

## 2. 2020 Headlines

The Global Fund made progress in 2020 with Ethics despite the challenges.

### Selected headlines

- ▶ The Codes of Conduct for Recipients, Governance Officials, Suppliers, CCM Members and Employees were all updated to strengthen provisions relating to protection from sexual exploitation, abuse and harassment, and child protection. Updates and the associated implementation plan were prepared in close collaboration with Secretariat and OIG colleagues.

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- ▶ A CCM Ethics webpage, communications campaign and two CCM-focused eLearning modules were launched

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- ▶ A new Policy on Conflict of Interest was approved, enabling us to take a more risk-based targeted approach to managing Col, and cover more scenarios with greater clarity.

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- ▶ A new Code of Conduct for Governance Officials was approved, enhancing the focus on governance in service of our mission and introducing a framework for embedding ethical analysis into decision-making

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- ▶ Governance officials received training on the new Code as part of our ongoing program of training and engagement

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- ▶ We supported the recruitment of the new Inspector General with enhanced due diligence appropriate for this high-profile role.

### 2020 in numbers

**255:** TRP members who completed conflict of interest assessments, resulting in **56** disclosures that were assessed and mitigated prior to grant reviews.

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**115:** New staff members who participated in interactive, virtual 'Values and Code of Conduct' sessions as part of onboarding.

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**300:** Downloads of the Code of Conduct for CCM Members in 5 different languages

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**>270:** People who have accessed at least one of the two new Code of Conduct for CCM Members eLearning modules. Three more are planned for 2021

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**>99%:** Completion rate for scheduled conflict of interest disclosure assignments across all audiences, up from 43% in 2018

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**14:** Ethics cases relating to CCMs, up from 4 in 2019

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**2122:** Counterparties automatically screened through due diligence database checks, returning **174** positive and false positive database hits, that resulted in **5** information notes to risk owners for their action

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**3:** Enhanced due diligence studies relating to grant implementation and CCM oversight

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## Progress against the 2020 workplan

Alongside 'business as usual' we made mixed progress on the ongoing projects to strengthen the Ethics and Integrity Framework:

PROJECT	PROGRESS	ORIGINAL DUE DATE	PLANNED COMPLETION DATE	STATUS
Code of Conduct for CCM Members rollout	 60% COMPLETE	30th December 2021	30th December 2021	<b>ON TRACK</b>
Integrity Due Diligence	 80% COMPLETE	30th June 2020	30th June 2021	<b>DELAYED 6-12 MONTHS</b> <ul style="list-style-type: none"> <li>▶ Sole remaining area to complete is codifying DD for implementers. Proposal developed and under discussion.</li> </ul>
Implementation plan for the Policy to Combat Fraud and Corruption	 60% COMPLETE	30th June 2020	30th June 2021	<b>DELAYED 6-12 MONTHS</b> <ul style="list-style-type: none"> <li>▶ Methodology piloted, identifying lessons learned</li> <li>▶ Now defining implementation approach</li> </ul>
Updating Policies, Procedures and Codes	 100% COMPLETE	30th June 2020	Actual 9th March 2021	<b>COMPLETE</b> <ul style="list-style-type: none"> <li>▶ All policies and Codes now updated. Further updates will be based on a regular review cycle.</li> <li>▶ All Codes now strengthened to include provisions on Protection from Sexual Exploitation and Abuse and Sexual Harassment, as well as Child Protection.</li> <li>▶ Implementation planning for a strengthened Code of Conduct for Suppliers underway.</li> <li>▶ Associated AMA now implemented.</li> </ul>
Monitoring, Oversight and Accountabilities	 60% COMPLETE	31st July 2020	31st July 2021	<b>DELAYED 6-12 MONTHS</b> <ul style="list-style-type: none"> <li>▶ Proposal for 1st, 2nd &amp; 3rd line ethics risk accountabilities under consultation within Secretariat and OIG prior to Committee discussion.</li> </ul>
Benchmarking maturity	 100% COMPLETE	31st October 2020	19th April 2021	<b>COMPLETE</b> <ul style="list-style-type: none"> <li>▶ This opinion forms the basis of the maturity assessment and defining target maturity.</li> </ul>

## 3. Opinion: The Maturity of Ethics and Integrity

### 3.1 Introduction

This Opinion is presented in three parts:

#### 1. SUMMARY OF THE CURRENT STATE:

As shown in the opening graphic, the Ethics Office uses a ‘three dimensional’ approach that covers **stakeholder** groups, the ethics **topics and risks** that may arise in each stakeholder group and the **program activities** to promote ethics and to prevent, deter, detect and respond to issues relevant to each stakeholder group. A summary of the E&I program elements in place in relation to our three key stakeholder groups (Governance, Secretariat and Operations) and in relation to selected ethics risks is provided as a foundation for forming the opinion and defining further actions to improve maturity.

#### 2. OPINION:

An opinion on the current maturity level of the program, building on the foundation described above and based on relevant benchmarks

#### 3. ACTIONS TO ADVANCE MATURITY:

A set of prioritized actions needed to advance maturity, both against the benchmark framework and in relation to key stakeholders and risks.

This opinion complements and should be read in conjunction with opinions published by the Inspector General and the Chief Risk Officer. For a complete picture of the culture of the organization, Governance Officials should also read the recent Governance Performance Assessment and refer to reports from the Executive Director, Head of HR, Ombud and Staff Counsellor.

### 3.2 Current State of the E&I Program in relation to stakeholders and selected risks

#### Stakeholder Groups

##### Governance

- ▶ *Codes and Policies:* The Code of Conduct for Governance Officials and Conflict of Interest Policy, both updated in 2020, now address relevant risks and governance bodies.
- ▶ *Communications and Training:* Regular training is in place for Governance Officials, according to the needs of their role.
- ▶ *Procedures:* Risk-based due diligence is in place for all governance appointments. Conflict of interest disclosure and mitigation are now embedded.
- ▶ *Monitoring and Accountability:* We now routinely achieve >99% completion for scheduled disclosure exercises. Case management is in place and operating effectively. Processes exist for addressing misconduct by governance officials during their Global Fund duties.

At this level the program is well established. However, there can be no room for complacency. When they occur, issues relating to senior officials have the potential to create significant reputational damage. The greatest test of the E&I program at this level will always be whether our governance ‘grasps the nettle’ and addresses misconduct concerns quickly, effectively and impartially when they arise. Whilst personal conflicts of interest are closely monitored, the Governance Performance Assessment also provides useful recommendations to improve the challenges relating to resolving diverse constituency interests.

##### Secretariat

- ▶ *Codes and Policies:* The Code of Conduct for Employees covers relevant risks. The Code has been comprehensively strengthened to address sexual harassment, abuses of power, sexual exploitation, sexual abuse and child protection. Compliance with the Employee Code is required by the Employee Handbook.
- ▶ *Communications and Training:* Ethics is embedded in induction training. Beyond the Ethics Office, the Elevate leadership development program has psychological safety at its core. Secretariat communication with staff throughout the pandemic has been exemplary, resulting in increased engagement.
- ▶ *Procedures:* Due diligence is now codified and in place for all hires, tailored to the role being recruited. More robust HR investigations and disciplinary procedures have been introduced, pending a broader review of investigation mandates.

- ▶ **Monitoring and Accountability:** In terms of monitoring the culture, pulse survey results in October 2020 were encouraging given the context – staff engagement rising to an all-time high of 95% favourable and psychological safety slipping slightly to a still strong 77%, offset by 45% for wellbeing and 66% for diversity and inclusion. The Secretariat is taking meaningful action to maintain the positives and respond to improvement areas. In terms of accountability for misconduct, there are also examples of staff being appropriately held accountable for varying forms of misconduct, including sexual harassment and wilful or negligent breaches of procedure.

### Operations

- ▶ **Codes of Conduct:** Updated Codes of Conduct for Recipients, Suppliers and CCM Members have now been issued. The CCM Members Code of Conduct roll-out continues, with the Code being downloaded over 300 times.
- ▶ **Communications and Training:** The communication and roll-out to implementers of the updated codes is now underway. Over 260 people have accessed one or more of the CCM ethics eLearning modules.
- ▶ **Procedures:** In support of assessing ‘In country conduct risk’ in the Organizational Risk Register, the quality of an implementer’s E&C program is now incorporated into the Integrated Risk Module as a potential risk driver. Essential due diligence is now in place for all grant signatories, and we have an approach for conducting enhanced DD. Fraud risk assessments are being piloted to strengthen anti-corruption controls and assurance.
- ▶ **Monitoring and reporting:** This an area where the program needs further attention. To be clear, there is no evidence that ethics there are ‘broken’. Indeed, there are many implementing organizations with their own well-established ethics and compliance programs. Rather, we are not yet systematically assessing ethics risks across the portfolio and have not yet agreed a collective set of interventions that balance our risk appetite, accountability, and resources.
- ▶ **Accountability:** Strong investigations capability is in place to enable the Global Fund to identify and hold implementers accountable for misconduct when it is reported. CCMs are beginning to put ethics committees and ethics focal points in place, and the cases we are seeing arising from CCMs are clear evidence that accountability continues to improve.

### Key topics

#### Conflict of Interest

The amended and restated Conflict of Interest Policy was published in 2020, enabling us to take a more risk-based targeted approach to managing Col and cover more scenarios with greater clarity. Established conflict of interest disclosure and management procedures exist across Governance and the Secretariat. Regular disclosure cycles maintain awareness at a good level, and compliance rates are very high. Stakeholders regularly approach the Ethics Office with proactive requests relating to this topic.

#### Corruption

The Global Fund has an established anti-corruption framework, which encompasses extensive financial controls, oversight, auditing and investigations across Governance, Secretariat and Operations levels. Work to diagnose the extent to which the Anti-Corruption Framework fulfills the intent of the Policy to Combat Fraud and Corruption in grants is ongoing using the fraud risk assessment methodology. Progress has been made in engaging cross-functional teams to define key programmatic objectives, the corruption risks related to their achievement, and hence a broader set of potential controls that meet the twin objectives of both incentivizing program delivery whilst effectively and efficiently mitigating the risk of financial loss.

#### Sexual Exploitation and Abuse

SEA has always been prohibited by the Global Fund. However, greater clarity was needed on these specific prohibitions. More importantly, the framework for addressing them needs to be survivor / victim centric, recognizing that SEA is a human rights violation, i.e. a risk to the impacted individuals. There were delays in 2020, but by the end of the year updated Codes of Conduct including the relevant prohibitions had been drafted. These were all approved by early 2021 and their roll-out is now in progress through communications, training and building connections with established multi-lateral PSEAH networks in countries where we operate.

#### Sexual Harassment

In the Secretariat context the updated Employee Handbook and Code of Conduct address this. Communications and training are in place, investigation processes are robust and defined, and there is clear evidence of accountability being in place when this risk materializes.

### 3.3 Opinion

#### Benchmark used

In assessing and presenting an opinion on maturity, we use the Ethics and Compliance Initiative’s High Quality Program Measurement Framework (“ECI HQP”) referenced earlier. The ECI Framework uses 5 principles and 5 maturity levels as follows:

#### Principles

1. **STRATEGY:** Ethics & Compliance is central to business strategy
2. **RISK MANAGEMENT:** Ethics & Compliance risks are identified, owned, managed and mitigated
3. **CULTURE:** Leaders at all levels across the organization build and sustain a culture of integrity
4. **SPEAKING UP:** The organization encourages, protects and values the reporting of concerns and suspected wrongdoing
5. **ACCOUNTABILITY:** The organization takes action and holds itself accountable when wrongdoing

#### Maturity levels:

- ▶ **Underdeveloped:** A new E&C program or an existing one that has not progressed far in embedding HQP elements.
- ▶ **Defining:** An E&C program that contains a number of HQP elements reflecting some important attributes, but with room to further mature.
- ▶ **Adapting:** An E&C program that has a few HQP elements, but still lacks many important attributes.
- ▶ **Managing:** An E&C program that can be considered effective or good, but not an HQP.
- ▶ **Optimizing:** An E&C program that contains the majority of, if not all, HQP elements

Whilst we present using the ECI Framework, we also use and incorporate self-assessment against the more detailed and comprehensive Global Ethics and Integrity Benchmarks 2020 (GEIB).<sup>2</sup>

#### Aggregate maturity level

In my opinion, the aggregate level of maturity is at the high end of ‘defining’. The Covid-19 pandemic has undoubtedly slowed the progress of increasing maturity as resources were diverted, but nevertheless good progress has been made as outlined below.

#### ECI Principles



#### Maturity level per ECI Principle

##### 1. Strategy: Ethics & Compliance is central to business strategy

*Defining:* The program meets many of the characteristics of the higher, adapting, level of maturity. However, two points in the assessment hold this back and are being actively pursued: Firstly, accountability for our defined scope of ethics risks is under consultation and not yet fully signed off. Secondly, ethics is not yet embedded in all relevant day to day processes leading us to potential ‘blind-spots’ - ethics risks we may not be aware of or ethics lapses we may have to respond to rather than prevent.

##### 2. Ethics risk management: Ethics & Compliance risks are identified, owned, managed and mitigated

*Defining:* Whilst the overall risk management framework is now embedded, further work is required to embed all ethics risks into this framework. Good progress is being made: ‘In country conduct’ appears on the ORR and also the robustness of implementers’ E&C programs is a consideration in the IRM. Addressing the two points mentioned under strategy above will enable us also to achieve ‘adapting’ in this principle. Benefits are also expected from the ongoing evolution of the anti-corruption model to rebalance corruption risk across a broader cohort of risk owners.

2 <https://www.qedconsulting.com/component/content/article/104-services/products/160-global-ethics-integrity-benchmarks?Itemid=566>

### 3. Culture: Leaders at all levels across the organization build and sustain a culture of integrity

*Adapting:* Leaders at all levels do promote ethical conduct. However, according to the benchmark an opportunity exists to support leaders to be confident in initiating ethics discussions that link values to performance in their areas of accountability. This would enable leaders to be explicit in how the organization's ethics and values underpin decision-making.

### 4. Speaking up: The organization encourages, protects and values the reporting of concerns and suspected wrongdoing

*Adapting:* A formal speak-up structure is in place across Governance, the Secretariat and Operations. Within the Secretariat, employee engagement surveys have consistently revealed concerns about speaking up. To address this there is significant effort being put into psychological safety to create greater confidence in speaking up within the Secretariat. Action is also being taken in areas where psychological safety scores are lower. However, concerns over suspected wrongdoing referred to in this principle are the most challenging for people to raise. In addition to the psychological safety work, the organization plans to address formal protections against retaliation. Also, plans are in place to build on recent improvements in the staff investigations process, in particular a review of mandates with a view to achieving greater trust in this mechanism.

### 5. Accountability: The organization takes action and holds itself accountable when wrongdoing occurs

*Adapting:* The organization communicates applicable standards and outcomes to employees and has recently improved escalation, tracking and investigative protocols, including measures to ensure consistency of consequences and basic root cause analysis. The planned work to review investigation mandates, which will address a related AMA, will further advance the maturity of this dimension.

#### Defining a 'target' maturity level

The strategy, ethics risk profile, priorities and resources of Global Fund will continue to evolve. It is therefore inappropriate to set an ultimate theoretical 'end point' target maturity level at some time in the future. Rather, the intention should be to quickly and uniformly achieve a baseline level, noting that this includes robustly addressing ethics risks. Once a baseline has been achieved, the return on investment and risk mitigation effect of achieving the next level can then be considered alongside other mission priorities in the normal planning cycles, including annual work-planning overseen by the Committees and Board. Given the above, the objective for 2021 should be to uniformly achieve the 'adapting' level of maturity – working to increase maturity where it is lower and maintaining efforts where we already meet or exceed that level.

## 3.4

### Actions to improve maturity

Based on current workplans and progress, and even with the material uncertainties in our external environment, there is every reason to believe that the organization can achieve the 'adapting' ECI maturity level by mid 2022. Assuming that current areas of the E&I program can be maintained, the following specific actions are needed to achieve 'adapting' consistently:

#### ECI PRINCIPLE 1 – Strategy:

*Based on the self-assessment tool the following are planned:*

- ▶ Complete the current set of AMAs, in particular those covering full implementation of the IDD framework and updated codes of conduct. Note that these also cover specific stakeholder groups and risks.
- ▶ Conduct a department review to ensure sustainability of Ethics Office resources as current projects transition to 'business as usual'
- ▶ Document a structured external engagement plan for the Ethics Office to ensure we stay current and share knowledge

#### ECI PRINCIPLE 2 – Ethics Risk Management:

- ▶ Continue ongoing implementation of the current work in relation to PSEAH and corruption prevention described below
- ▶ Complete the open AMA that seeks to define 1st, 2nd and 3rd line accountability for a defined list of ethics risks.

#### CCMs

- ▶ Complete the roll-out of the Code of Conduct for CCM Members in 2021 under the Strategic Initiative, including a robust transition to business as usual that maintains the current levels of engagement and empowers CCMs to continue to make progress in 'ethical governance' alongside the CCM evolution work. This requires CCMs themselves to become more consistent in reporting their progress to the Global Fund.

#### Implementers

- ▶ Take stock of lessons learned from multiple engagements with grant implementers via country teams, which encompass enhanced due diligence exercises, support on SEA risk and cases, anti-corruption control pilots, CCM work and broader ethics training activities. These need to be built into a balanced, risk-based proactive and systematic approach to applying the E&C program to implementers, informed by the 'in country conduct' risk in the ORR. Put simply, we need to be able to provide first line Country Teams with clear guidance and measures to assess and address the question of "To what extent can we rely on our implementers' E&C programs?" which has recently been included as a subset of the in country governance risk in the Integrated Risk Module.

### Protection from Sexual Exploitation and Abuse

The following actions are planned in 2021 to rapidly increase maturity as a foundation for further improvement in this critical topic. These also support progress against the new indicators included in the Multilateral Organisation Performance Assessment Network (“MOPAN 3.1”), under which the Global Fund will be assessed in 2021:

- ▶ Roll-out of training to staff and others, tailored to their role
- ▶ Communication of the clarified prohibitions contained in the updated codes of conduct, including seeking confirmations back from recipients
- ▶ Connecting CCMs and implementers with established in-country PSEAH networks and mechanisms
- ▶ Initiating a program of self-assessment by implementers based on established good practice frameworks
- ▶ Updating our framework, with a particular focus on clearly prioritising protection for potential survivors and victims. This will encompass complaint referral, accountabilities and segregation of duties between investigation and protection mandates.

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### Corruption prevention

There is increasing recognition across the Global Fund that the anti-corruption model can evolve and be tailored to better serve the Global Fund mission. The action to improve maturity is therefore that the upcoming Implementation Plan for the Policy to Combat Fraud and Corruption should articulate a paradigm in which fiduciary and programmatic ‘lenses’ integrate, as they do for implementers on the ground. The plan should present a roadmap for evolving control design, assurance accountabilities and decision-making frameworks in line with that. Ethics will continue to facilitate the institution through this ongoing learning journey, prompting cross-functional learning and monitoring progress against the intent of the PCFC.

## 3.5 Compliance

Beyond the ‘state of ethics and integrity’, the Ethics Officer ToR also refer to a second part of the Opinion; “The extent to which Global Fund activities have complied with ethics and integrity-related policies, codes and requirements.” It is clearly challenging to form such a compliance opinion, as ‘extent’ implies a level or score. Given the current maturity of the program, it is more appropriate to state that I am not aware of any allegations of ethical breaches that the organization has failed to address according to its currently approved policies and procedures. However, we can expect that, going forward, efforts to improve speaking up and to strengthen the program more broadly across the extended partnership may bring to light matters that were previously unreported. If this proves to be the case, I am confident that the organization will address them robustly.



## 4. Ethics Office Profile

### 4.1

#### Operating Expenses and Strategic Initiative Spend

	OPEX ACTUAL (USD)	CODE OF CONDUCT FOR CCM MEMBERS STRATEGIC INITIATIVE (ACTUAL VS. A 3 YEAR BUDGET OF USD1,219,000 TO END 2021)
2018	1,043,000	n/a
2019	1,521,000	21,000
2020	1,673,000	800,000

### 4.2

#### People, roles and skills

The Ethics Office is a diverse team of ten professionals. Each have specific accountabilities and specialisms so that the Office as a whole is able to serve the range of stakeholders, cover the range of ethics risks and implement the full suite of planned program interventions. In late 2020 we invested in formalizing ethics-specific skills through achieving the Leading Professional in Ethics and Compliance certification offered by the Ethics and Compliance Initiative (“ECI LPEC”). Whilst an industry-focused body, ECI LPEC is one of only a very few ‘official’ ethics qualifications and equips the team with a consistent approach to driving the maturity of the E&I program.

### 4.3

#### Systems

The Ethics Office with support of IT operates three digital systems and one ‘product’ to support its work:

- ▶ “CMS” – The case management system is the secure portal for working with cases, and storing related information and correspondence;
- ▶ “Osprey” - The disclosures system, which is used for efficient design and collection of integrity-related forms, such as declarations of interest;
- ▶ “Ed” - The Ethics Database, which aggregates integrity-related information from across the Global Fund, incorporates external data sources and serves as the archiving and research tool;
- ▶ “IA Mapping” - The Global Fund has developed a free software ‘add-in’ solution for Microsoft Visio, which allows Country Teams and In Country Implementers to quickly, consistently and easily draw an organogram of all the key organizations and processes involved in grant implementation in their countries. This aids transparency, grant negotiation and oversight.

### 4.4

#### External engagement

The Ethics Office engages in a range of formal and informal external bodies, with the aim of staying current to best practice and contributing to our various topics. Beyond the usual networking with peer ethics officers in the international, corporate and charitable sectors, highlights in 2020 include:

- ▶ **PSEAH:** In August 2020, Ethics Office colleagues joined the Inter-Agency Standing Committee’s Thematic Expert Group on Protection Against Sexual Exploitation and Abuse. Key priorities for the Group are to implement best practice and standards across the international community, to track and promote progress at the country level, and to promote a survivor centred approach. We participate actively in the regular Group meetings and also engage directly with members on issues of relevance to the Global Fund, including in relation to cooperation with the PSEA networks established in country.
- ▶ **Anti-corruption:** The Ethics Office leads Global Fund representation on the Steering Committee of the Anti-Corruption, Transparency, and Accountability Alliance for Health, a joint initiative with the WHO, World Bank and UNDP. Initially funded by DFID and now by NORAD, the alliance aims to align anti-corruption and transparency measures toward strengthening health systems to achieve Universal Health Coverage and the SDGs. The Alliance is linked to the Global Action Plan (GAP) Sustainable Financing for Health Accelerator, which highlights the importance of decreased fraud, corruption and inefficiency to increase the fiscal space for health. The Alliance facilitates the Global Fund’s ability to vet its approach to evolving the Global Fund’s anti-corruption framework to better align to health objectives, and it enables the Global Fund to advance the anti-corruption agenda in health.

During 2021 we plan to produce an EO external engagement plan to ensure that we are systematically engaging with peers on priority topics.

### 4.5

#### Quality Assurance and stakeholder feedback

This is an area that would benefit from further consideration. The Ethics Office does report and actively manage KPIs under the Secretariat’s Performance and Accountability Framework. There has also been work to bring greater clarity to progress against set milestones, through established risk reporting, OIG AMA reporting and our own reporting to EGC. The September 2019 audit report by OIG provided a set of actions to improve ethics maturity for the Global Fund and these are being addressed. We do seek informal stakeholder feedback on our work, but it may be appropriate to consider an external review or similar on completion of the current work-plan projects and AMAs. This could also coincide with the planned appointment of the next Ethics Officer in 2022 and approval of the next Global Fund strategy.

# Annex

## The ECI Organizational Maturity Scale

ECI PRINCIPLES	LEVELS	PROGRAM ELEMENTS
<b>PRINCIPLE 1:</b> Strategy – Ethics and compliance is central to business strategy	UNDERDEVELOPED	E&C program activities do not exist or they are not foundational to the organization; where e&c program activities do exist, they are decentralized.
	DEFINING	E&C is established, but is not embraced by the organization and operates tactically.
	ADAPTING	E&C is beginning to embed with accountability assigned for key ethics and compliance risks; consistency is lacking.
	MANAGING	E&C is embedded with E&C program controls and procedures operating as an integral part of business processes.
	OPTIMIZING (HQP)	The organization follows best practice in E&C program management and leads the field externally.
<b>PRINCIPLE 2:</b> Risk Management – Ethics and compliance risks are owned, managed and mitigated	UNDERDEVELOPED	A formal risk assessment program is not fully established or does not yet exist.
	DEFINING	A formal risk assessment structure is established and operating in a few departments or functions, but operates tactically.
	ADAPTING	A formal risk assessment process is in place with accountability assigned for ethics and compliance risk management, but is not consistently performed.
	MANAGING	A formal risk assessment process is developed and embedded as an integral part of business processes.
	OPTIMIZING (HQP)	Risk assessment follows best practices and includes all aspects of a leading risk management program.
<b>PRINCIPLE 3:</b> Culture – Leaders at all levels across the organization build and sustain a culture of integrity	UNDERDEVELOPED	Leadership does not promote ethics and compliance, or does so on an individual, ad hoc, basis.
	DEFINING	The organization has in place a code of conduct and related policies, but only senior leadership makes the effort to promote ethics and compliance.
	ADAPTING	Leaders are beginning to embed e&c program with accountability assigned for key ethics and compliance risks.
	MANAGING	Leaders are engaged in promoting ethics and compliance, with e&c program controls and procedures operating as an integral part of business processes.
	OPTIMIZING (HQP)	Organizational leadership is committed to best practice in e&c program management and leading the field externally.
<b>PRINCIPLE 4:</b> Speaking up – The organization encourages, protects and values the reporting of concerns and suspected wrongdoing	UNDERDEVELOPED	A formal employee speaking-up/reporting structure is not established; employee reporting occurs on an infrequent, ad hoc, basis.
	DEFINING	A formal employee speaking-up/reporting structure is established and operating in a few departments, but operates tactically and inconsistently.
	ADAPTING	A formal employee speaking-up/reporting structure is partially embedded but more progress is needed.
	MANAGING	A formal employee speaking-up/reporting structure is established and operates as an integral part of business processes.
	OPTIMIZING (HQP)	A best-practice, formal employee speaking-up/ reporting structure is used by employees to report concerns and used by management to identify systemic issues.



ECI PRINCIPLES	LEVELS	PROGRAM ELEMENTS
<p><b>PRINCIPLE 5:</b> Accountability – The organization acts and holds itself accountable when wrongdoing occurs..</p>	UNDERDEVELOPED	The organization has not established formal structures or communicated regarding consequences for violations or for escalation, tracking, investigation and accountability for misconduct.
	DEFINING	The organization has policies addressing standards and consequences; escalation, tracking and investigative protocols apply, but lack consistency and with little root cause assessment or trend reporting to business.
	ADAPTING	The organization communicates applicable standards and out- comes to employees and has established escalation, tracking and investigative protocols, including measures to ensure consistency of consequences and basic root cause analysis.
	MANAGING	The organization maintains communication of standards and outcomes via various media to employees to reinforce value placed on reporting; embedded escalation, tracking and investigative protocols exist, including consistent root cause analysis, follow-up action and trend reporting.
	OPTIMIZING (HQP)	The organization is a leader in internal and external communications by demonstrating the value placed on reporting and accountability when wrongdoing occurs; it employs best practices in escalation, tracking, investigation, and root cause analysis and risk mitigation; and it uses well-developed systems of response and upholds a principle of transparency in disclosures where possible.



# Detailed Ethics Office Operational Update

## **Global Fund Ethics Office**

**Additional information to support the  
2020 Annual Report and Opinion**

GF/B45/09  
45th Board Meeting  
11-12 May 2021, Virtual



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# 1. Detailed Progress vs. 2020 Ethics Work Plan

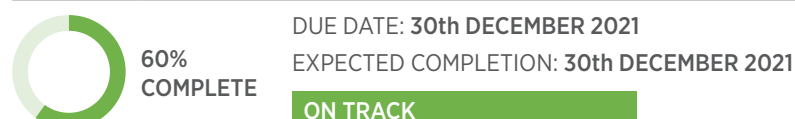
## 1.1

### Introduction

This section summarises progress against each of the projects in the approved 2020 workplan.

## 1.2

### Code of Conduct for CCM Members (Strategic Initiative)



The Strategic Initiative to strengthen CCM leadership and governance, through the introduction and embedding of the Code of Ethical Conduct for CCM members, started in 2019 and will continue through 2021. The project runs in close collaboration with the CCM Hub to ensure alignment with the CCM Evolution Project. During 2020, due to the COVID-19 situation, our approach has been adjusted with a “shift to virtual”. There is evidence that this project is starting to have an impact:

- ▶ The CCM Ethics webpage has been accessed almost 1,000 times since its launch in late April
- ▶ The Code of Conduct has been downloaded 300 times, and in 5 different languages
- ▶ Over 270 people have accessed at least one of the eLearning modules
- ▶ This increased awareness and engagement has translated into a number of cases and requests for advice being raised to the Ethics Office.

Whilst good progress is being made, monitoring is a challenge. We rely on CCMs to submit data within their Eligibility and Performance Assessment (EPA), but this is often late or incomplete. We are addressing this in conjunction with CCM Hub. The focus for 2021 is to complete the planned deliverables, monitor impact and adjust as necessary. We will also put in place a plan to transition to ‘business as usual’ support for Ethics in CCMs, noting the frequent turnover of CCM membership.

DELIVERABLE	PROGRESS
Distribution of the Code in hard copy and electronically	In order to improve access to the Code of Conduct for CCM Members and other CCM Ethics resources, a dedicated <a href="#">CCM Ethics webpage</a> has been created. New resources have been made available in different languages, including the Code of Conduct for CCM Members itself
E-learning modules launched to introduce and embed the application of principles and behaviours outlined in the Code	Two e-learning modules about the Code of Conduct for CCM Members have been launched for all CCM members, with three more planned to focus on specific topics.
In-country workshops to deepen the adoption and embedding of the Code are planned for 13 countries across the three-year SI cycle, based on their allocation, need and opportunity for improvement	Two face to face workshops were held in 2020 before Covid-19 struck. Additional virtual support has been provided to CCMs throughout 2020 and several webinars are planned for the coming months as part of the Code of Conduct roll-out and to provide guidance to newly elected CCM Ethics Committee members or focal points.
Support and monitor the adoption of the Code by CCMs	See above re monitoring.
Support CCMs through the process of developing and strengthening an Ethics mechanism or body that will enable CCMs to appropriately manage Code of Conduct for CCM Members risks, concerns and breaches including conflicts of interest.	Guidelines to support CCMs in appointing a Focal Point or creating an Ethics Committee are available on the CCM Ethics webpage. We are in the process of validating which CCMs have now taken this step.
A small number of ‘deep dives’ on specific CCMs’ conflict of interest management, including detailed review of CCM members’ affiliations to implementers, and enhanced due diligence on selected individuals and organizations.	We also conducted three Enhanced Due Diligence exercises and created Implementation Arrangements mapping in collaboration with Country Teams and CCMs, so far 5 countries have been involved and new ones should be added to this exercise in the coming weeks.
Executive coaching pilot for selected CCM leaders	After an offer from Ethical Coach of pro bono executive coaching support, we extended the scope of this Strategic Initiative and launched a pilot exercise with four CCM members. This is ongoing - we are currently reviewing lessons learned and considering next steps.

### 1.3 Integrity Due Diligence Project (IDD)

The IDD project streams covering counterparties in a direct relationship with the Secretariat were completed in early 2020. A robust system of Essential DD, comprising watchlists, sanctions and OIG checks is applied to all counterparties, and Enhanced DD is undertaken on a risk basis, in accordance with the IDD framework. As a result of the IDD project, procedures for IDD have been formalized in a set of documents, including Ethics Office SOPs for Essential and Enhanced Due Diligence, and a master chart specifying the types of IDD to be undertaken across the range of relationships managed by the Secretariat.

The significant remaining area is to codify IDD implementation in grants. Progress was understandably delayed due to the pandemic response coupled with a high grant-making workload. However, progress has been made - we now conduct Essential DD on grant signatories, screen these counterparties on an ongoing basis and have incorporated additional intelligence sources such as the OIG's database. We have learned through responding to reactive requests for Enhanced DD to support decision-making by Country Teams. However, IDD has the same challenge as noted elsewhere - we cannot answer the question "To what extent can we rely on PR's ethics and compliance programs?" Within that, we cannot currently assess the extent to which we should or can rely on PR's due diligence processes.

In 2021, the focus will therefore be to move beyond Essential DD and sporadic in-country assignments to integrating a robust IDD approach as a part of a more systematic engagement on implementers' Ethics and Compliance responsibilities. The project activities will also include continuous improvement focused on two aspects: further integration with Secretariat and OIG databases to facilitate automation, and onboarding of a stronger, AI-driven continuous monitoring system for Essential DD.

### 1.4 Strengthening the Anti-Corruption Framework

The Policy to Combat Fraud and Corruption (PCFC) sets out that the "purpose" of the Global Fund's anti-corruption framework should be to advance the Global Fund's mission of saving lives. Paras. 3.3 and 5.6 clarify that the elements of the framework should be implemented in a programmatically-led and risk-based manner.<sup>3</sup> Whilst the Global Fund has an established anti-corruption framework in place, there were indications that opportunities exist to evolve this to more fully incorporate programmatic objectives. In 2019, the OIG's Audit of the Ethics and Integrity Framework confirmed this, and an AMA was agreed for the Secretariat to lay out a risk-based PCFC implementation plan. Generating the plan requires building internal consensus that there is a need for change, that the direction of travel is appropriate, and that feasible, beneficial alternatives to the status quo exist.

Throughout 2019 and 2020, the Ethics Office has therefore been facilitating diagnostics to determine how to optimize the framework to mitigate those forms of Prohibited Practices<sup>4</sup>

that most severely impact delivery of grant objectives, and how to do that effectively and efficiently. A summary of the diagnostics' lessons learned is included in a later annex of this document. Despite setbacks caused by the COVID-19 pandemic in the last year, cross-functional stakeholder engagement has been excellent, and learnings are emerging from the diagnostic work. The deadline for the AMA has been delayed, but nevertheless the design of what an evolved, 'PCFC-consistent' anti-corruption framework could comprise, and the associated benefits, are starting to come into focus.

### 1.5 Policies, Procedures & Codes

The revised Policy on Conflicts of Interest and Code of Conduct for Governance Officials were approved by the Board in June 2020. In addition, as a key step in the continuous improvement and ongoing strengthening of our integrated ethics and compliance program, updates were made to all five Global Fund codes of conduct (for employees, governance officials, CCM members, suppliers and recipients) to underline the Global Fund's commitment to protection from sexual exploitation, abuse and sexual harassment, as well as to child protection. The revised Employee Code was approved in December 2020 and will be rolled out in 2021 through training and awareness raising activities. The other four codes were approved in January and February 2021. We will take a risk-based and needs-based approach to implementing the revised codes through: communications, training and certification; intake, case management and investigations; risk assessment to inform further proactive steps; and further clarifying and documenting the PSEAH framework under the PSEAH Working Group.

In 2020, the Ethics Office also worked on a substantive update to the Supplier Code, which would incorporate a broader range of risks, including environmental, health and safety and labor rights and align the Code with the Responsible Procurement initiative. The proposed changes have been discussed within the Secretariat, and the Ethics Office and Supply Operations are now working on an implementation plan, before submitting the substantively updated Supplier Code for EGC approval, likely in 2021 with an aim to introduce the changes in 2022.

### 1.6 Monitoring, Oversight and Accountabilities.

The Ethics Office developed a defined list of Ethics and Integrity risks and, in consultation with relevant departments, proposed accountabilities for first, second and third lines of defence. These were presented to MEC in late 2020. Further consultations were held during December 2020 and January 2021, including in relation to the accountabilities for investigating the risks. On completion of the consultations the Ethics Office will seek ED approval for the 1st and 2nd line accountabilities during March 2021, align with OIG and bring forward a proposal for committee oversight responsibilities to be incorporated into the EGC's Governance Action Plan. Estimated completion is June 2021, dependent on further approvals.

<sup>3</sup> Para 5.6 of the PCFC requires the A-C Framework to be "fit-for-purpose," and "risk-based." PCFC Para 3.3 clarifies how this would be achieved by providing guidance as to the scope and approach to fraud and corruption prevention: "The Global Fund recognizes that fraud and corruption infiltrate not only financial management, but also strategic decision-making, governance, public health systems, program quality and reporting. It therefore affirms that fraud and corruption are program and mission risks and prioritizes the prevention, detection and response to prohibited practices to advance the Global Fund's mission of ending the epidemics."

<sup>4</sup> See PCFC Section 4 for comprehensive list of Prohibited Practices which this opinion encompasses.

## 2. Detailed operational update

### 2.1

#### Ongoing communications, training and awareness raising activities

The Ethics Office has been undertaking regular awareness raising and training activities since 2018 and lessons learned from these sessions are incorporated into future training and awareness materials and programs. The Ethics Office training plan includes activities for Governance Officials (Board, TRP, TERG), the Secretariat and CCMs.

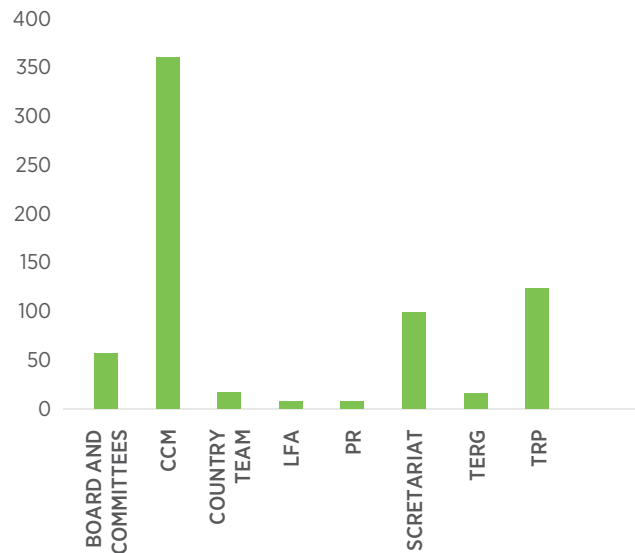
*Governance:* Ethics is incorporated into all Governance Officials' on-boarding sessions. In addition, Board Members and Alternates, and some Committee Leadership attended an interactive, virtual Ethics, Culture and Code of Conduct session in November 2020. Ethics and conflict of interest training was provided also to all TERG members and all serving TRP members. In addition, conflict of interest guidance materials were shared with all TRP members in connection with each review window to guide their disclosures and ongoing conflict of interest management.

*Secretariat:* In 2020 a total of 115 new staff members participated in interactive, virtual 'Values and Code of Conduct' sessions as part of onboarding. The focus of these sessions is to maintain the awareness achieved through similar sessions run since 2018 that, by now (including 2020), have reached a total of 836 staff and long term consultants working at the Secretariat and which contributes towards building an ethics and integrity driven culture. Also, in 2020, 13 internal and external collaborators participated in the Implementation Arrangements Mapping training provided by the Ethics Office. Funding requests to the Global Fund must include a mapping of the implementation arrangements for the proposed grants. To support and train Country Teams, the Ethics Office has provided personalized training to 8 country team members, 2 external consultants, 2 LFA staff and 1 Principal Recipient.

*Operations:* CCM progress is captured in the project update above. With the roll-out of Integrity Due Diligence to high-impact and high-risk countries on a pilot basis, the Ethics Office for the first time engaged on integrity risk management with a Principle Recipient, in the context of financial crime, especially terrorist financing. Representatives of the PR's country team and international headquarters were trained on the 'red flag' indicators of financial crime and the expectations the Global Fund has towards PRs for developing context-specific situational awareness to integrity risk.

GRAPH 1

Number of people reached through Ethics training and awareness raising activities



### 2.2

#### Assignment Management

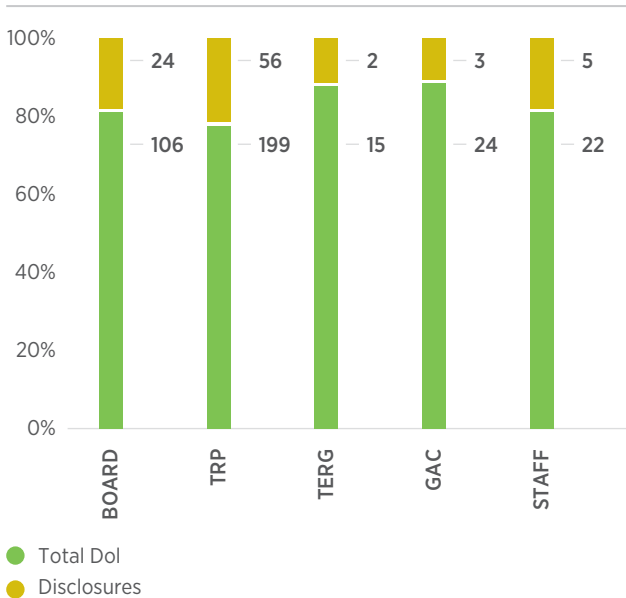
##### Integrity Due Diligence Assignments

Completion of the IDD project with respect to the Secretariat functions led to an expansion of IDD assignments from across the Secretariat, combined with a steady flow of Governance-based assignments. Major initiatives included Inspector General recruitment, Committee Membership and Leadership appointment, as well as appointments of senior managerial roles: CFO, Treasurer and Supply Operations Head. Direct Sourcing did not conduct major regular tenders, but the Ethics Office supported emergency procurement related to the COVID-19 response, including design of accelerated due diligence forms and review of a rapid diagnostic kit procurement (8 bidders). In addition, essential due diligence is routinely undertaken for all new Board Members and Alternate Board members, totalling 44 new governance officials in 2020. Enhanced due diligence in grant implementation has been taken up actively in 2020, with a delivery of a major stakeholder integrity mapping exercise in January, followed by assignments in two further countries, all in support of providing intelligence to unblock governance concerns at CCM and PR level.

### Declaration of interest collection and review assignments

In 2020 the Ethics Office managed 12 assignments to identify and mitigate actual, potential and perceived conflicts of interest. As part of these assignments, the Ethics Office collected 366 declarations of interest from Governance Officials (including members of Advisory Bodies to the Board), the GAC and the Secretariat. The compliance rate for completion of Declarations of Interest ranged between 99% and 100%. This is in line with the compliance rates reached in 2019 and a significant improvement compared to earlier years, where the compliance rate for the Board (including Board meetings) was 42% in 2017, 85% in 2018 and finally reached 100% in 2019. This is a direct result of the Ethics Office’s efforts to build automated reporting, tracking and case management systems, clear specifications for assignment management, and actively using lessons learned.

**GRAPH 2**  
Declaration of Interest forms collected by audience



Disclosures made through Declarations of Interest become cases in the automated Ethics Case Management System, reviewed for actual, potential or perceived conflicts of interest and mitigated as appropriate. In 2020 the Ethics Office managed 193 conflict of interest cases, 87 of which came from assignments. These cases are reflected as conflict of interest cases reported below.

### 2.3 Cases and Advice

In 2020, the Ethics Office handled a total of 274 cases (including the 87 matters declared through Declarations of Interest as reported 2 above). Conflict of interest continues being the largest category of cases managed by the Ethics Office with 193 cases in 2020, corresponding to 70% of all cases. This is followed by IDD cases (18%), Conduct related cases (4%) and Policy, procedure and contract advice (2%).

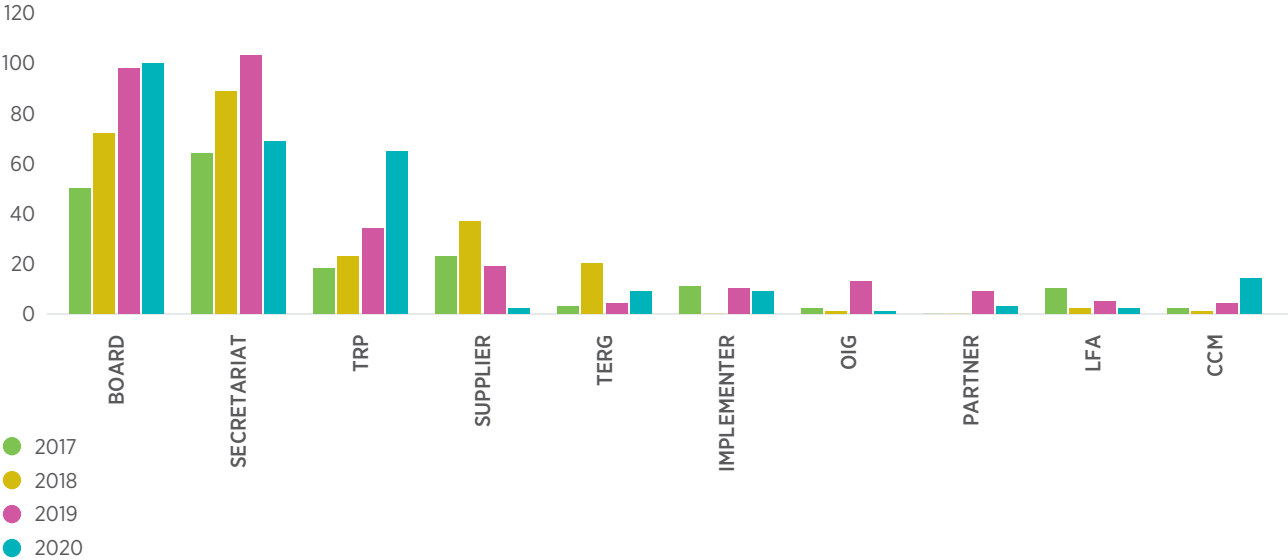
The Ethics Office coordinates closely with both Human Resources and the OIG. While alleged staff misconduct is referred to Human Resources, any cases related to prohibited practices, misconduct and human rights violations in grants are referred to the OIG. In 2020 we also received nine (9) cases referred from the OIG relating to potential conflicts of interest, prohibited practices and sexual misconduct in the implementer base. Cases are handled in accordance with the Ethics and Integrity Case Management Standard Operating Procedures finalized in August 2018. The increase in cases over the years from 183 (in 2017) to 275 (in 2020), as detailed in Graph 3, indicates increasing awareness around both conflicts of interest and conduct related matters, increased compliance in terms of disclosures (from 42% in 2017 to 100% in 2020) but also the evolving maturity of the case management and data recording system overall.

Cases are classified as follows:

- ▶ *Conflicts of interest:* advice, assessment and mitigation of institutional and individual conflicts of interest, including staff external appointments/engagements, gifts, hospitality, awards and decorations;
- ▶ *Conduct:* all matters in relation to concerns about conduct including management style, lack of respect for colleagues, potential misconduct, sexual exploitation and abuse and sexual harassment across all audiences (governance officials, employees, CCM, suppliers and recipients);
- ▶ *Integrity Due Diligence:* Using a variety of tools to proactively assess the integrity and reputation of individuals and organizations to inform decision-makers on the risks of engaging with these potential counterparties;
- ▶ *Policy, procedure and contract advice:* where it has an impact on our remit, and;
- ▶ *Other:* including advice on ethical dilemmas and matters such as procurement, partnerships and research.



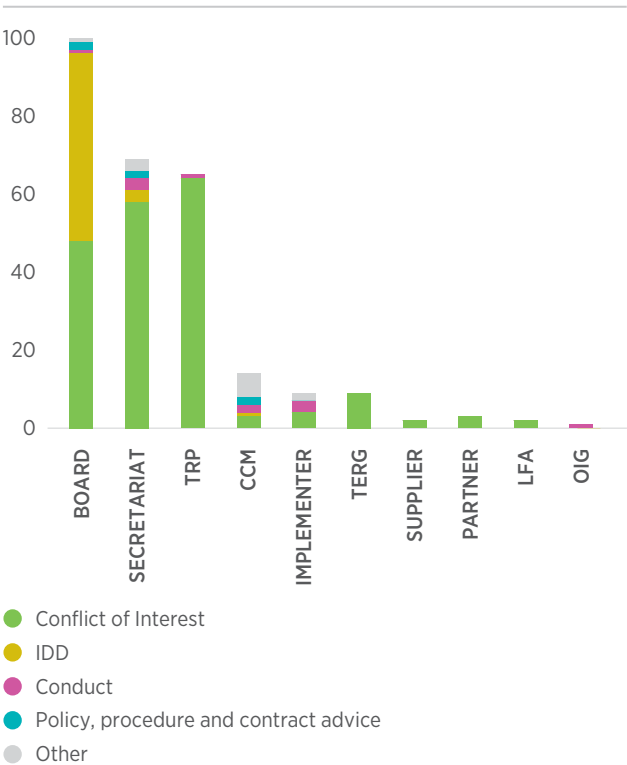
**GRAPH 3**  
Trend in total ethics cases (all types) since 2017



**Cases by audience and Category**

Graph 4 shows the breakdown of cases by category and by audience i.e. those affected: Board, Secretariat, OIG, TRP, TERG, LFAs, other Suppliers and CCM. The distribution of cases is an indication of the Ethics Office role as 1st line of defense for Board and Secretariat, with an active advisory role to the TRP, and 2nd line of defense, i.e. an escalation point, for all others. For instance, the two (2) LFA related cases the Ethics Office was involved in (see Graph 4) represent about 3% of the LFA related conflict of interest cases managed by the LFA Coordination Team in 2020. Going forward, further decentralization of conflict of interest management will be encouraged while, simultaneously, the CCM Evolution initiative and case work within the implementer base provide an increased focus on work in relation to operations and in support of Country Teams.

**GRAPH 4**  
Ethics cases by audience and category

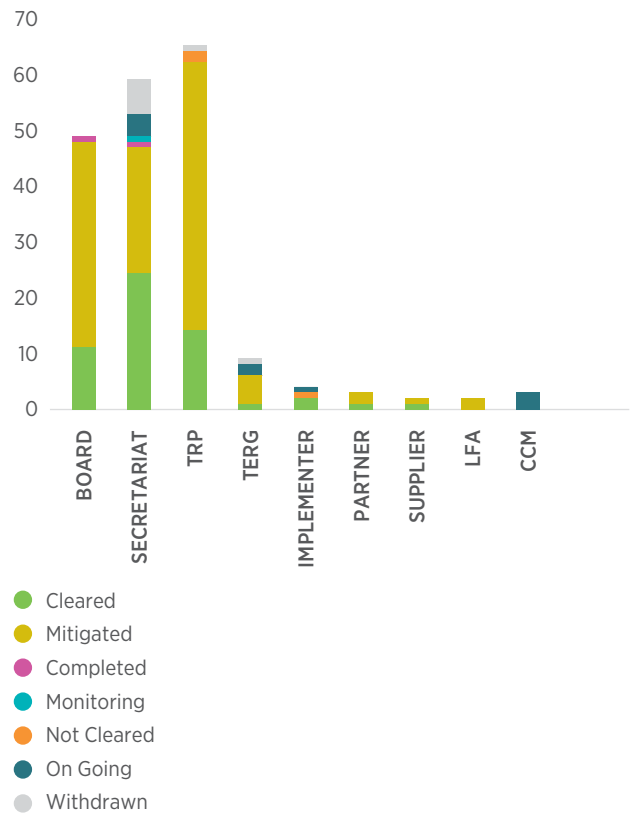


### Conflict of Interest Cases by Outcome

Conflict of Interest includes institutional conflicts of interest, individual conflicts of interest, external roles and appointments, as well as gifts, awards, hospitality and decorations.

Of a total of 193 conflict of interest cases 28% were cleared (review found no conflict of interest and activity could go ahead), 60% of cases were cleared with mitigating measures (measures were put in place to mitigate the potential or perceived conflict and the activity went ahead), while 2% were not cleared (conflict of interest that could not be mitigated, therefore leading to an individual or an institution e.g. staff member or supplier, not being considered or able to take up an assignment or position, or having to step down from that position or assignment). Another 6% were still on-going or under long-term monitoring at the end of the year, while 4% of cases were either referred to appropriate entity or withdrawn. Graph 5 shows the outcome of conflict of interest cases by audience for further details.

**GRAPH 5**  
Col cases by audience and outcome



### 3. The Ethics Team

ROLE	FOCUS AREAS	CONTRACT TYPE	BUDGET SOURCE	ECI LPEC CERTIFICATION
Ethics Officer		Staff	Opex	Yes
Specialist, Ethics & Integrity	<ul style="list-style-type: none"> <li>▶ Stakeholders: Governance Officials</li> <li>▶ Ethics risk: Conflict of interest</li> <li>▶ Program Activities: Code &amp; Policy development, training and case management</li> </ul>	Staff	Opex	Yes
Specialist, Ethics & Integrity	<ul style="list-style-type: none"> <li>▶ Stakeholders: All, but mainly implementers</li> <li>▶ Ethics risk: SHEA</li> <li>▶ Program Activities: All relating to SEAH, plus support on AMAs relating to accountabilities and E&amp;I program maturity.</li> </ul>	Consultant	Opex	Yes
Specialist, Integrity Due Diligence	<ul style="list-style-type: none"> <li>▶ Stakeholders: 3rd parties via Secretariat teams</li> <li>▶ Ethics risks: All arising in 3rd parties</li> <li>▶ Program Activities: IDD</li> </ul>	Staff	Opex	Yes
Senior Specialist, Anti-Corruption and Impact	<ul style="list-style-type: none"> <li>▶ Stakeholders: Operations (Implementers and assurance providers)</li> <li>▶ Ethics risk: Corruption</li> <li>▶ Program Activities: PCFC Implementation, Control design, assurance and oversight</li> </ul>	Staff	Opex	No
Code of Conduct for CCM Members Project Manager	<ul style="list-style-type: none"> <li>▶ Stakeholders: Operations (CCMs)</li> <li>▶ Ethics risks: All</li> <li>▶ Program Activities: CCM CoC roll-out; training, communications, monitoring, case advice</li> </ul>	Consultant	SI	Yes
Department Coordinator	<ul style="list-style-type: none"> <li>▶ Stakeholders: Secretariat</li> <li>▶ Ethics risk: NA</li> <li>▶ Program Activities: Project and case management, DD support, Reporting</li> </ul>	Consultant	Opex	No
Integrity Due Diligence Analyst	<ul style="list-style-type: none"> <li>▶ Stakeholders: All</li> <li>▶ Ethics Risks: Conflict of interest</li> <li>▶ Program Activity: IDD assignment and case management. Systems architect and expert user.</li> </ul>	Consultant	Opex	Yes
Implementation Arrangements Mapping Analyst	<ul style="list-style-type: none"> <li>▶ Stakeholders: Operations (Implementers and CCMs)</li> <li>▶ Ethics Topic: Transparency and Col</li> <li>▶ Program activity: Supporting consistent robust IA mapping</li> </ul>	Consultant	SI	No
Responsible procurement specialist	<ul style="list-style-type: none"> <li>▶ Stakeholders: Operations (Suppliers)</li> <li>▶ Ethics Topic: All arising in 3rd parties</li> <li>▶ Program activity: Implementation planning of the updated Code of Conduct for Suppliers</li> </ul>	Consultant	Opex	No

## 4. Anti-corruption Diagnostics Case Study

In 2019 and 2020, diagnostics were performed across 4 countries, spanning malaria, HIV, and HSS investments, three PR types (governmental, INGO, and UN). Most were high fraud risk portfolios, including ones with fiduciary safeguards in place and ongoing OIG investigations. To reflect the PCFC’s programmatic focus, this was the first time that programmatic, governance, and health economics experts joined finance specialists in the fraud risk assessment and controls redesign exercises. The diagnostics have generated the following consistent learnings and opportunities for further evolution:

**Opportunities to target programmatic sources of fraud:**

Diagnostic work shows that fraud and corruption schemes can be conceived and executed across all grant processes, including programmatic work planning, design, and activity implementation. Since traditional anticorruption controls focus most deeply on procurement and financial processes, their ability to meaningfully deter or detect schemes within programmatic processes is limited. Segregation of duties of programmatic functions is therefore emerging as a critical anti-corruption control.

**Opportunities to strengthen assurance over use of funds:**

Diagnostics confirm OIG investigative findings, namely that a fiduciary control approach that is compliance-based and document-driven can be effectively evaded through collusion and well-faked documents, even when fiduciary safeguards are in place. As a result, even though the Global Fund determines that grant funds are eligibly used on the basis of compliant and complete procurement and expenditure documents (inputs), diagnostics indicate that this does not necessarily provide reliable assurance that the budgeted activities took place at the same value for money planned at grant-making.

**Opportunities to increase operational efficiency:** The diagnostics brought to light that the risk of ineligible expenses also incentivized implementers to generate “red tape”—additional documents and layers of verification—over and above their standard internal control requirements. The red tape consistently increased error rates (and therefore of ineligibles) and the complexity created opportunities for coercion, collusion, and kickbacks. Also, it generated operational “drag,” thus contributing to low absorption and programmatic delays. Process simplification anchored in basic principles of internal control design as well as introduction of technology increased transparency and accountability, decreasing fraud risk.

**Opportunities to incentivize quality delivery of budgeted activities:**

Programmatic specialists consistently underscored that budget inputs provide insufficient insight into whether a programmatic activity was properly designed, executed, or whether it generated the intended programmatic results. The fraud risk assessments confirmed that fraud schemes both flourish and are effectively deterred when focusing controls on programmatic design and delivery of budgeted activities. This, in turn led to the realization that holding implementers accountable for programmatic milestones along the programmatic design, execution, and results chain by linking grant fund eligibility to independent programmatic verifications of these milestones would significantly realign incentives and opportunities away from engaging in the most programmatically harmful forms of fraud. Diagnostics are exploring how to harness programmatic assurance tools such as surveys, spot checks, and triangulation strategies and strengthen them to minimize risk of manipulation and misrepresentation, thus providing increased assurance and a robust basis for fund eligibility.

**Fraud Risk Assessment**



	COMPLIANT PROCESS & DOCUMENTS	ACTIVITY HAPPENED FOR VALUE FOR MONEY
Traditionally assumed	✓	✓
	✗	✗
But also possible	✓	✗
	✗	✓

Conclusion: Compliance ≠ Assurance

## Alternative control design approaches

	TODAY, THE GLOBAL FUND TIES ELIGIBLE USE OF GRANT FUNDS TO FIDUCIARY INPUTS	ALTERNATIVELY, WE COULD TIE GRANT FUNDS TO PROGRAMMATIC MILESTONES THAT ARE CRITICAL TO SUCCESSFUL IMPLEMENTATION OF BUDGETED ACTIVITIES/INTERVENTIONS		
	Complete and compliant documents evidencing:	Planning & Design	Delivery	Results
<b>Example 1: Trainings</b> (common area of fraud findings and ineligible)	<ul style="list-style-type: none"> <li>▶ Requisition</li> <li>▶ Procurement of venue, tea, and food</li> <li>▶ Payment vouchers</li> <li>▶ Per diem receipts</li> <li>▶ Liquidation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Appropriate curriculum</li> <li>▶ Prepared trainers</li> <li>▶ Correct participants</li> </ul>	<ul style="list-style-type: none"> <li>▶ Trainings delivered as designed</li> </ul>	<ul style="list-style-type: none"> <li>▶ Participants apply skills in their work</li> </ul>
<b>Example 2: ITN (bednet) campaign</b> (critical preventive intervention for malaria)	<ul style="list-style-type: none"> <li>▶ Same as above, plus;</li> <li>▶ Procurement of transport services</li> <li>▶ Transporter invoices indicating mode of transport used</li> </ul>	<ul style="list-style-type: none"> <li>▶ Campaign macro-plan</li> <li>▶ Campaign micro-plan</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete and accurate household registration</li> <li>▶ ITNs delivered along supply chain</li> <li>▶ ITNs distributed</li> </ul>	<ul style="list-style-type: none"> <li>▶ ITN Use</li> </ul>
<b>Programmatically relevant?</b>	Partially	Yes	Yes	Yes
<b>Reliability of evidence?</b> (how easy to forge)	Lower than assumed, even with fiduciary safeguards	Higher -- If vetted by independent programmatic expert with access to independent sources of data	Higher – If determined by independent verification exercises, e.g., spot checks, surveys	Higher – If adequately linked to budgeted activity itself

As the learnings above show, there are compelling programmatic and fiduciary benefits to further evolve the Global Fund's anti-corruption approach in the way articulated by the Policy to Combat Fraud and Corruption and explored through these pilots. The integration of the programmatic perspective opens a new solution space for fraud risk management, which can be systematically explored, tested, evaluated and applied in different contexts.

Indicators of maturity will include embedding fraud risk assessment methodologies in controls and the associated assurance measures applied in grants, and increased programmatic engagement in fiduciary fraud risk management and control redesign, including in response to OIG findings of fraud and corruption. The Board and Committees should support the relationship between a risk-based approach to fraud prevention articulated in PCFC para 3.3., and the zero-tolerance approach articulated in para 3.4. The former relates to prevention, and therefore focuses on investing appropriate but finite time and resources in mitigating those forms of fraud and corruption that stand to most severely impact delivery of grant objectives. The latter relates to detection and makes clear that, once found, the Global Fund will not tolerate any form of fraud or corruption in its grants. OIG are also maintaining a clear focus on programmatic objectives, including in their work on fraud and corruption. Ethics will continue to facilitate the institution through this learning journey.

## 5. Status of open AMAs

The ongoing projects referred to in the body of the report encompass addressing open AMAs.

AGREED MANAGEMENT ACTION	TARGET DATE	PLANNED COMPLETION	STATUS
1. The Ethics Officer, in consultation with the Secretariat, will define the target maturity level for the Ethics Program using the ECI framework, and use this as input to work planning and the Ethics Officer's annual opinion.	31 October 2020	Actual completion 19th April 2021	See project update. This body of this opinion addresses the AMA.
2. The Chief of Staff, in collaboration with the Ethics Officer and Secretariat stakeholders, will review and, where necessary, clarify the accountabilities for managing, monitoring and overseeing a defined set of Ethics and Integrity risks. This will be integrated into existing mechanisms and will include a proposal for Committee oversight responsibility for specific risks, for decision by the appropriate body.	31 July 2020	31 July 2021	See project update. Proposal developed and consultations ongoing.
3. The Ethics Officer and Head of Human Resource Department will prepare a paper reviewing misconduct investigation mandates and required resources across the Global Fund, and proposing options for decision by the relevant Committees, and if necessary, the Board. This will incorporate input from the Office of the Inspector General. The terms of reference of the various functions will be updated, as needed, based on the decisions by the relevant Committees.	31 December 2020	31 October 2021	Delayed, but initial discussions underway. On track for planned completion date.
4. The Ethics Office will complete the review of Codes of Conduct and Policies within the Ethics and Integrity Framework, considering and addressing inconsistencies and gaps to good practice.	30 June 2020	Actual completion: 9th March 2021	All policies and Codes now updated. Further updates will be based on a regular review cycle. All Codes strengthened to include provisions on Protection from Sexual Exploitation and Abuse and Sexual Harassment, as well as Child Protection.
5. The Secretariat will finalize a comprehensive risk-based implementation plan that will subsequently operationalize the PCFC. The plan will define the following: a) the scope and timeline for the implementation of the various components of the policy, including updating the corruption risk assessment and control design process; b) the specific accountabilities for the various components and activities, including the resource requirements if any; c) processes to monitor compliance with the policy.	30 June 2020	30 June 2021	Methodology piloted, identifying lessons learned Now defining implementation approach
6. The Ethics Office will complete the rollout of the ongoing IDD project, such that a risk-based approach is applied to all categories of Global Fund counterparties including implementers and suppliers. The accountabilities for triggering and performing due diligence and subsequent decisions based on the results will be developed.	30 June 2020	30 June 2021	Sole remaining area is to codify due diligence in relation to grants.

**The Global Fund to Fight  
AIDS, Tuberculosis and Malaria**

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