

Risk Management Report and Chief Risk Officer's Annual Opinion

51st Board Meeting

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For Board Information

Purpose: To provide the Board with an update on the status of the organizations' risk profile and risk management priorities for 2024.

EXECUTIVE SUMMARY

BACKGROUND

The overarching message of the Global Fund's Risk Reports for the past three years has been one of volatility and the associated challenges this brings. 2024 is no different. Key factors contributing to this volatility include many countries and regions ravaged by war, environmental issues, population displacement and food insecurity, and competition for donor and domestic funding for health.

Despite the significant challenges faced, the wider partnership continues to achieve a great deal, with accelerated programmatic results across all three diseases during 2022, following the setbacks of previous years. In 2023, 152 new grants were signed for Grant Cycle 7, amounting to a total of US\$9.2 billion in investment. On top of this, implementing countries were also able to deliver on a shift of US\$2.2 billion in C19RM investment, to ensure a focus on health systems strengthening and pandemic preparedness and response, including US\$870 million of C19RM portfolio optimization.

Whilst the achievements leading into and during 2023 pave the way for successful grant implementation in 2024 and beyond, it is important to acknowledge the foundational shifts in the public health landscape, which will require the Global Fund to remain agile and ready to adapt its strategy and operating model, as needed, as the sector and the operating environment continues to evolve.

ISSUES THIS PAPER ADDRESSES

Evolving and emerging risks

The volatility of the operating environment means that existing risks are evolving, and new risks are emerging. Each risk requires careful attention by the Global Fund partnership and a tailored approach to addressing their respective impacts. Evolving and emerging risks discussed in the Report include program quality for malaria, climate change, human rights and gender, future funding and sustainability, domestic funding, implementation capacity (in-country implementers and the Secretariat), and misinformation and cyber-fraud.

Organizational risk profile and risk levels relative to risk appetite

The current risk landscape remains volatile, with 13 out of 22 organizational risks rated as High. Nonetheless progress is being made to reduce risks levels.

The *Accounting & Financial Reporting by Countries* risk has now reached the target risk level of Moderate.

Program Quality HIV and the *Procurement* risks are on track to reach a Moderate level of risk by the Board approved target of June 2024. The *Grant Related Fraud Fiduciary* risk is also decreasing and is anticipated to reach Moderate by June 2024, and no later than by end of the year. Similarly, *Program Quality TB* is also decreasing and is expected to reach Moderate by the Board approved target of June 2025.

By contrast the *In Country Supply Chain* risk has plateaued at High and is unlikely to reach a Moderate level of risk by the target timeframe of June 2024.

All risks will continue to be closely monitored by the Secretariat during 2024. The Secretariat will come back to the Committees with an update in July 2024, and will provide any recommendations on risk appetite to the Board via the Committees in November 2024.

2024 risk management priorities

The Secretariat continues to focus on strengthening and adapting risk management to the continuously evolving risk landscape. In 2024, the Secretariat will further focus on strengthening risk management tools and guidance to ensure they remain fit-for-purpose, enhancing and optimizing the assurance model to enable more tailored and strengthened programmatic assurance, and strengthening risk management capability to create a culture of risk-awareness and better use of data to inform risk deep dives and risk trade-off decisions.

INPUT SOUGHT

This report has been shared with all standing Committees of the Board for input on risks under the purview of each Committee as outlined in the Organizational Risk Register (Annex 1). Matters highlighted in this report were discussed at the 24th Audit and Finance Committee (AFC) meeting, the 24th Strategy Committee (SC) meeting and the 24th Ethics and Governance Committee (EGC) meeting during standalone sessions and relevant thematic sessions according to the meeting agenda. The SC and EGC Leadership provided comments on risks under their respective Committees' purview to the AFC, in support of the AFCs mandate of overall oversight of risk management.

INPUT RECEIVED

The **SC** discussed the Global Fund model, suggesting greater alignment is required moving forward across global health initiatives. They noted the increasing risk on future funding by both donor and implementer countries, suggesting scenario planning as an opportunity for strategic thinking. Other topics discussed included the end of C19RM funding and the implications on RSSH, lingering supply chain risks despite many years of investment, the growing concern around human rights and gender equality, persistent HIV and Malaria risk challenges, and the need for the Secretariat to optimize and prioritize to address workforce and implementer capacity risks.

The **EGC** noted that the *Governance and Oversight* risk remains Moderate with no material delays in mitigating actions. For *Ethical Misconduct and SEAH* risk (which remains High, with a steady direction of travel), the EGC commended the closure of three long-standing AMAs, and noted that the Secretariat is well-positioned to manage and mitigate this risk, building on the progress made over the past two years.

The **AFC** acknowledged input from the SC and the EGC on respective risks under purview and asked the Secretariat how AFC guidance could further support prioritization and evaluation of tradeoffs. The AFC welcomed the reduced risk in accounting and financial reporting, noting that grant-related fraud and fiduciary risk was also moving in a positive direction. The AFC also discussed domestic financing and co-financing and the need to support co-financing commitments (acknowledging limitations in domestic financing capacity), and the need for the Secretariat to continue to work with partners on gender quality, human rights and LGBTQI+ issues and take a proactive stance on LGBTQI+ punitive laws. Finally, the AFC discussed the next replenishment and suggested the Secretariat adopt scenario planning to assess risks related to lower replenishment outcomes.

SUMMARY OF CHIEF RISK OFFICER'S ANNUAL OPINION

The Global Fund partnership continues to deliver on its mission, as evidenced from the positive programmatic results and reversal of trends post-pandemic. However, the current risk environment remains highly volatile and the evolving global development and health landscape, including shifting priorities and competition for resources, will inevitably impact Global Fund programs and the people they serve. Despite this volatility, on average the risk profile for grant facing risks remains stable.

Good progress has been made implementing effective risk management tools and approaches, with the infrastructure largely in place to manage and mitigate both known risks, and to pivot and respond to new and emerging risks. This agility will continue to be tested as the Global Fund and implementers significantly increase their investments into newer and non-traditional areas of health systems strengthening and try to respond either directly or indirectly to emerging threats and new challenges. Risk management strategies will need to further evolve, including a focus on driving insight, promoting the use of data for monitoring and performance management, and more proactive use of risk appetite to make informed trade-off decisions, and to continuously learn and evolve.

As the Secretariat channels its efforts in the next 12-18 months into articulating a robust investment case for the 8th replenishment and mobilizing support, in coordination with partners, there is also a need for parallel future-proofing. This includes active consideration of the organization's core strengths and value proposition, careful prioritization of Secretariat led initiatives, and optimizing its workforce to deliver on the strategy.

The Global Fund has over the years, and notably during the COVID-19 pandemic, demonstrated its agility and adaptability to deliver financing to countries in a framework that is inclusive, country owned, transparent and that drives accountability. The Global Fund can and should play a critical role in bridging the voices of communities and vulnerable populations, national governments, the private sector, and the donors. Ensuring these core principles continue to underpin the organization's operating model and ways of doing business will facilitate a sustainable and coordinated response to the emerging challenges and threats.

RISK MANAGEMENT REPORT

BACKGROUND

1. The overarching message of the Global Fund's Risk Reports for the past three years has been one of volatility and the associated challenges this brings. 2024 is no different and the key themes highlighted in the 2023 semi-annual Risk Report continue to apply.
2. Many countries and regions across the world remain ravaged by war. This has devastating consequences for those directly impacted, and in many cases has significant implications for regional stability and the stability of energy prices, global trade, supply chains, and the global economy. Environmental issues, climate change, pollution, and natural disasters also pose increasingly significant challenges. Malaria is most directly impacted by climate change, but there are indirect consequences for HIV and TB, particularly in terms of increased vulnerability to the diseases. Population displacement and food insecurity have pushed several million more into poverty, again increasing vulnerability, whilst the erosion of gender equality and human rights in a number of countries is further limiting access to services.
3. This confluence of risks is creating constraints on donor and domestic funding as governments struggle to prioritize the allocation of funds across emerging critical needs. Limited funding and resources have the potential to significantly impede the health sector's ability to successfully implement critical projects and initiatives. It also means that the pressure to do more with less, and make difficult choices about where to invest, has never been greater.
4. Despite these many challenges, the Global Fund, working with the wider partnership, achieved a remarkable amount in 2023. 152 new grants were signed for Grant Cycle 7, amounting to a total of US\$9.2 billion in investment. On top of this, implementing countries were also able to deliver on a shift of US\$2.2 billion in C19RM investment, to ensure a focus on health systems strengthening and pandemic preparedness and response, including US\$870 million of C19RM portfolio optimization. The level of effort required to deliver on both GC7 grant-making and the shift in C19RM investments is unprecedented and a testament to the commitment and agility of the wider partnership.
5. In addition, as always, grant implementation has continued, delivering promising results. This is evidenced in the 2023 results reports which noted accelerated programmatic results across all three diseases during 2022, following the setbacks of previous years. There were more people on antiretroviral treatment for HIV, more people with TB put on treatment, and more mosquito nets distributed to prevent malaria than ever before.
6. However, whilst the achievements leading into and during 2023 pave the way for successful grant implementation in 2024 and beyond, it is important to acknowledge foundational shifts in the public health landscape. These shifts are driven by faltering progress against the Sustainable Development Goals, partly due to COVID-19, and increasing pressure on donor and domestic resources. The Global Fund and other public health organizations also need to respond to the increasing demand and need for greater alignment and use of country systems and country autonomy. It is impossible to predict the future, but it is possible to be prepared and it will be critical for the Secretariat, guided by the Board and the Committees, to ensure the Global Fund remains agile and ready to adapt its strategy and operating model, as needed, as the sector and the operating environment continues to evolve.

EVOLVING AND EMERGING RISKS

7. As already highlighted, the Global Fund partnership is well positioned for the coming three years with an unprecedented GC7 allocation, robust and ambitious country plans signed into grants, and a unique opportunity under C19RM to support critical health system gaps in which investment has historically been below the requirement. However, the volatility of the operating environment means that existing risks are evolving and new risks are emerging.

Program quality

8. The progress achieved through HIV and TB programs towards reaching the global 95-95-95 targets has been impressive. For HIV, by the end of 2022, 86% of people living with HIV knew their status, 91% were receiving anti-retroviral therapy and 92% of those receiving treatment were virally suppressed. Likewise, TB has seen a reversal of negative trends linked to the pandemic with 6.7 million diagnosed and put on treatment in 2022.
9. There is also a lot to celebrate in terms of the progress being made through malaria programs. In 2022, 70% of households in sub-Saharan Africa had at least one insecticide treated bed net (ITN) (increasing from just 5% in 2000), access to malaria diagnosis and treatment significantly increased, and 49 million children in 17 sub-Saharan countries were reached with seasonal malaria chemoprevention. However, as the entire partnership is aware there is also significant cause for concern in relation to malaria, driven by the emerging threat of drug and insecticide resistance, the rising costs of newer technologies, the cost of delivering services to a growing population, and the need to cover additional geographies and population groups impacted by climate change and conflict. Learning lessons from the malaria eradication and control efforts of the 1960s and 1970s will be important, including avoiding the pitfalls of reducing political and financial commitment, and ensuring there continues to be support for research into new technologies and tools. This will require strong technical leadership to ensure national strategies prioritize investment in the introduction of new tools, political leadership to ensure an urgency behind addressing malaria holistically in the context of climate change and biological threats, and financial commitment to ensure implementation.
10. The challenge of antimicrobial resistance is also a growing global public health concern. Besides the direct implications on malaria, including emergence of Artemisinin-based Combination Therapy (ACT) resistance in Africa, drug resistance to traditional first and second-line medicines for TB is an increasing challenge. Gains have been made with the introduction of newer shorter regimens, however beyond this, the options are currently limited. Therefore, it is critical to ensure accurate diagnosis, early initiation of treatment, and treatment compliance to protect the efficacy of these drugs. This will require working closely with the private sector, the pharmaceutical industry, and national regulators.

Climate change

11. Climate change represents a profound threat to the achievement of the Global Fund's mission and to the vulnerable countries, communities, and people at the center of the Global Fund strategy. Some of the most significant and early impacts of climate change are on human health, with death and morbidity caused by an increase in infectious diseases, food insecurity and disasters, compounded by economic disruption and migration. Climate change is threatening to reverse years of progress in public health and disproportionately affects those most vulnerable.
12. The Global Fund cannot solve the climate emergency. However, through grants, it will continue to support those countries with both high HTM burdens and high climate vulnerability. The Global Fund will also further embed climate change and environmental considerations into its supply

operations and Secretariat functions. Climate change will increasingly be a critical context and lens through which all Global Fund work must be considered.

Human rights and gender

13. In recent years there has been a notable shift in dialogue on human rights and gender equality, including anti-LGBTQI+ rhetoric and legislation. The result is increasing barriers to services, which significantly jeopardize disease prevention and treatment efforts, and put the lives of the most vulnerable people served by Global Fund supported programs at risk. In several of these countries, treatment programs have reached impressive levels of coverage. However, as the partnership works towards reaching the last 5-10% of people in need, these individuals are likely to be the most vulnerable. Human rights and gender related barriers will make it far more difficult to ensure prevention and treatment services can be and are being accessed and will undermine progress made to date. Addressing these challenges is not simply a case of greater investment but will require a wider political and social mobilization of the entire partnership.

Future funding and sustainability

14. The pressure on donor and domestic resources, due to both fiscal constraints and competing priorities means that questions are being asked about the future of the global health architecture and the overall programmatic and financial sustainability of public health programs.
15. Over the next 18 months, several multilateral institutions and global initiatives are in the process of seeking support and investments through their respective replenishment mechanisms, including the Global Fund. Any reduction in available resources for global health in general and the Global Fund in particular, will impact the communities and people that programs support. Programs will need to optimize available resources whilst also ensuring continued progress against global health goals. These prioritization and trade-off decisions will require strong political will, technical leadership, and community engagement. It will also be important to leverage domestic resources to support programs and communities to prioritize interventions and activities to maximize value for money and impact.
16. Longer term, the Global Fund operating model and the sustainability of country programs, including community based and led strategies, across all sources of funds may need to be re-thought. This will need bold and creative thinking and coordination and alignment across the different global health institutions. As never before, the global health community must strengthen collaboration to weather this period of uncertainty.

Domestic Funding

17. The current fiscal environment is also making it challenging for implementing countries to increase or even maintain levels of funding for health. At the end of Q4 2023, based on the review of programmatic and financial gap analyses for the GC7 cycle and co-financing commitments, the overall residual risk for health financing, co-financing and sustainability was rated at the higher end of High. More than a fifth of high-impact and core portfolios show significant material risks for realization of co-financing commitments during the grant approval process. This is also likely to impact the transition risk, which is noted to be increasing. Looking ahead, the Global Fund partnership needs a concerted and coordinated engagement and dialogue on program and investment sustainability.

Implementation Capacity

18. Since the beginning of the COVID-19 pandemic, the workload pressures on implementers and the Secretariat have been significant. This is driven by a combination of the last year of implementation

of GC6 grants, preparing for GC7 funding requests, and making the C19RM strategic investment shifts. Moving into GC7, in order to deliver on HTM priorities as well as execute an ambitious RSSH investment plan under GC7 and C19RM, this pressure is expected to continue. Capacity assessment of new and ongoing implementers will be a key input to help mitigate in-country grant implementation risks.

19. At the Secretariat, workforce planning and staff wellbeing continue to be prioritized. C19RM funded positions are due to end by or before the end of 2025, which will have a direct impact on capacity. The uncertainty it creates is also likely to increasingly impact staff morale. To deliver on the Global Fund's ambitious strategy and multiple priorities, a well-supported Secretariat is paramount. A reduced workforce will require careful prioritization of Secretariat led initiatives with a focus on efficiency and maximizing value-for-money.

Misinformation and cyber-fraud

20. Similar to other organizations, misinformation and cyber-fraud are increasing risks to the Global Fund. Anti-human rights rhetoric, misinformation on disease interventions and their effectiveness, and other misinformation campaigns can all have significant consequences at a strategic and operational level and in terms of the organization's reputation. The political and ideological polarization increasingly seen in many countries and the growing use of AI means that the risks in this area are likely to increase. The Secretariat continues to proactively work with the wider partnership and communities to monitor news and to ensure technically accurate and appropriately tailored information is made available for various stakeholders. However, the focus needs to broaden, particularly in preparation for the next Replenishment, to include combatting misinformation.
21. Similarly, as societies become more dependent on digital technology the risk of cyber-security fraud is on the rise. The Secretariat is implementing a range of measures to mitigate the risk of cyber-fraud including training on cyber fraud awareness both within the Secretariat and to grant implementers and reviewing and strengthening controls around payment process and digital payments.

ORGANIZATIONAL RISK PROFILE AND RISK LEVELS RELATIVE TO RISK

APPETITE

Overview

22. The current risk landscape remains volatile, with 13 out of 22 organizational risks rated as High. (One-page summaries of all organizational risks, including progress in executing mitigating actions, can be found in Annex 1. The summaries draw on the ORR Q4 update for 2023).
23. Overall trajectories on grant facing risks are generally consistent with expectations, taking into account the varying ability of the organization to mitigate and influence these risks. The major challenges to effective risk management and emerging risks are elaborated within this Report.
24. Strengthening consistency of risk assessment across portfolios, better monitoring of implementation of prioritized key mitigating actions and assurance plans, and greater engagement with second line technical teams will help in timely identification of cross-cutting and emerging risks. In addition, known external risk drivers are being monitored, to facilitate a broader coordination with partners to mitigate and maintain the agility of the organization and to enable Global Fund supported programs to adapt.

Risk levels relative to target risk levels and risk appetite

Risk trending downwards

25. *Program Quality – HIV* risk is decreasing, supported by a strong programmatic performance and rebound post COVID-19, and is **on course to reach a Moderate level of risk by the target time frame of June 2024**. Ambitious GC7 grants with an emphasis on treatment and care, and prevention including the implementation of Program Essentials¹, will be key to reducing the residual risk further. Mitigation plans focus on supporting countries in making policy, strategy, and operational shifts crucial for achieving global HIV strategy outcomes. These includes targeted strategies in key portfolios such as Kenya, Mozambique, Nigeria, Uganda, Zambia and South Africa. However, growing threats to human rights and barriers to accessing services for those most at risk of contracting HIV create a significant challenge to realizing HIV goals.
26. *Program Quality – TB* risk is decreasing and the current proactive strategies and planned initiatives in TB risk management indicate a **strong likelihood of achieving a Moderate level of risk by the Board approved timeframe of June 2025**. The focused efforts on improving TB treatment and diagnosis, leveraging innovative technologies, enhancing healthcare worker training, and effective utilization of global partnerships, all contribute to this optimistic outlook.
27. The *Procurement* risk is also decreasing, but as with *Program Quality – HIV*, further reduction in the risk level is required before the risk level can be considered Moderate. Ongoing efforts on articulating the health product segmentation framework to manage procurement related risks for innovative health products, along with enhanced monitoring of PR procurement planning, notably in portfolios driving the residual risk, including Kenya, Ethiopia, Cameroon and Pakistan, will be central to achieving a Moderate risk level. **Based on the current trajectory a Moderate level is expected to be achieved by June 2024**. However, the situation in the Middle East and the impact on global supply chains has the potential to change the trajectory and is being closely monitored.
28. The *Accounting & Financial Reporting by Countries* risk **is now rated as Moderate**. Progress made is attributed to a series of integrated efforts across various levels, including an improved operational environment resulting in fewer disruptions, and updates to grant reporting systems and tools, which supports more accurate and timely financial reporting. There is a progressive improvement in timeliness, consistency, and quality of financial reports through Pulse Checks and semi-annual grant reporting, setting a strong foundation for reliable financial oversight. Progress has been made in 10 of the top 25 country portfolios, through enhancing the financial reporting and accounting standards. These portfolios have implemented key actions such as contracting technical assistance to build capacity, deploying robust enterprise resource planning (ERP) systems to automate financial reporting processes and minimize manual errors, and improving monitoring and controls through digital solutions for accounting and archiving. In addition, effective responses to risk drivers, such as better cash management and the mitigation of foreign exchange risks are positively contributing to the observed risk trajectory.
29. Despite the fact that the *Grant-Related Fraud & Fiduciary* risk has been decreasing since the beginning of 2023, the risk remains High as a result of economic challenges and fraud incentives. Targeted efforts in some of the prioritized portfolios, for example, Nigeria, Mozambique, DRC, Uganda and Malawi, and ongoing mitigations and risk-based tailoring of assurances are facilitating a reduction in the residual risk towards a Moderate level. **We anticipate the risk level to reach Moderate by June of 2024, and no later than by end of the year**. In the event that progress is slower than anticipated, the Secretariat will come back to the Committees with an update in July

¹ Evidence-based program elements (e.g., specific treatments and preventions) expected to be provided as part of national programs.

2024, and will provide a recommendation on risk appetite to the Board via the Committees in November 2024.

30. The Secretariat has initiated several actions during and post COVID-19, including targeted assurance such as pre-award procurement reviews, fraud risk assessments, and reinforcement of risk awareness programs for the Country Teams, grant implementers and assurance providers. The Secretariat, in conjunction with the OIG, is constantly reviewing the internal control environment, adjusting the scope of assurances, and actively engaging national assurance providers to strengthen alignment and oversight. The Secretariat has initiated a semi-annual cross-functional review of fraud risk at the Portfolio Performance Committee, to review the evolution of risk, its drivers and monitor progress on mitigation plans. Efforts to adapt to the evolving risk environment will continue.

Risks which have plateaued at High, or which are trending upwards.

31. The *In-Country Supply Chain* risk has **plateaued at High and is unlikely to reach the target risk of Moderate by June 2024**. Over the years, across most high impact and core portfolio countries, in-country systems have continued to mature, and are now delivering critical health products up to the last mile with no significant reported stock-outs at national level or interruptions in health services. The last set of comprehensive surveys at facility levels indicated an average on shelf-availability (OSA) score of 83% across all product categories including HTM and COVID-19 products. Despite these notable improvements and investments, there continues to be institutional capacity constraints, including linked to information systems, and the design of supply chains and governance systems, which are often exacerbated by limited, inadequate and fragmented investments. This has perpetuated gaps in national governance, accountability, and oversight systems, heightening financial risk and threatening the long-term sustainability of these system related investments. Efforts to improve the efficiency and effectiveness of national systems are ongoing, but the complexity of in-country supply chains demand the need for tailored ambitions in system maturity. The **Secretariat will come back to the Committees with an update in July 2024 with a recommendation on risk appetite to be brought to the Board in November 2024, via the Committees.**
32. Some of the ongoing priority areas to address these challenges under GC7 include: accelerating investments in both central and facility level logistics information systems; supporting the development of well-designed in-country supply chains that focus on driving delivery costs down and reliability up, while optimizing stock management; and strengthening of national governance systems and leadership capacity building to foster increased stewardship in a drive towards greater transparency and accountability.
33. *In-Country Governance* continues to have an increasing direction of travel, primarily driven by external factors such as political instability and security threats, shrinking civic space, alongside weaknesses in institutional capacity and in-country governance mechanisms. These weaknesses impact the ability of countries to support inclusive dialogue and oversee implementation, and to address emerging risks related to human rights, RSSH and domestic health financing and sustainability. **While the trajectory is increasing, the overall risk is expected to remain Moderate and within risk appetite.**
34. The table below provides a summary of all risks for which the Board has set risk appetite and the status of achieving target risk levels within the approved target timeframes.

Risk Name	Purview	Residual Risk	Risk Appetite	Target Risk	Target Risk Timeframe	Direction of Travel	Status to target risk timeframe
Risks where the Board has set risk appetite							
Program Quality – HIV	SC	High	High	Moderate	Jun 2024	Decreasing ↓	On Track
Program Quality – TB	SC	High	High	Moderate	Jun 2025	Decreasing ↓	On Track
Program Quality – Malaria	SC	High*	Very High	High	Dec 2025	Increasing ↑	Under Review
				Moderate	TBD		
M&E	SC	Moderate	Moderate	Moderate	N/A	Steady →	Within Risk Appetite
Procurement	SC	High	High	Moderate	Jun 2024	Decreasing ↓	On Track
In-Country Supply Chain	SC	High	High	Moderate	Jun 2024	Steady →	At Risk
Grant Related Fraud & Fiduciary	AFC	High	High	Moderate	Jun 2024	Decreasing ↓	On Track
Accounting & Financial Reporting by Countries	AFC	Moderate	High	Moderate	Dec 2023	Steady →	Met
In-Country Governance	AFC	Moderate	Moderate	Moderate	N/A	Increasing ↑	Within Risk Appetite
Quality of Health Products	SC	Moderate	Moderate	Moderate	N/A	Steady →	Within Risk Appetite

* Malaria Program Quality residual risks are being reassessed taking into account programmatic coverage gaps for GC7 grant cycle, and other risk drivers. A comprehensive view for GC7 cycle will be available at end of Q2 2024.

2024 RISK MANAGEMENT PRIORITIES

35. The Secretariat continues to focus on strengthening and adapting risk management to the continuously evolving risk landscape. Good progress was made in 2023 in delivering on risk management priorities, with risk management further integrated and embedded across grant and non-grant facing systems and processes.

Strengthening risk management tools and guidance

36. Building on lessons learnt, and stakeholder feedback including OIG observations from previous audits, risk management tools, policies and procedures have been updated for both grant-facing risks and key business processes and operations.

37. The Integrated Risk Management tool used by Country Teams to assess and prioritize grant facing risks was updated and launched. The design of the tool and supporting procedures facilitates enhanced engagement and collaboration between first and second line teams and provides a comprehensive portfolio overview on portfolio performance and risks. Key features include strengthened guidance on current grant facing risks, facilitation of more granular assessment of RSSH, Human Rights and Gender, and Health Financing and Sustainability risks, in alignment with both new strategic priorities but also emerging challenges, and embedded assurance planning.

38. In an ongoing effort to enhance the clarity and accessibility of the organizational risk register, the presentation has been simplified to make it more reader-friendly, ensuring the complexities of risk management are communicated in a manner that is both engaging and easy to comprehend. This adjustment reflects the commitment to transparency and the effective dissemination of risk information across all levels of the organization to the committees and the Board.

Tailored assurance

39. The organization continues to further enhance and optimize its assurance approach. The focus is on greater tailoring of assurances to risks and strengthening programmatic assurances. To facilitate this, assurance planning has been integrated within the IRM tool, and guidance on assurance is being updated and shared. Within the context of current and emerging risks, there is greater attention to capacity assessments of current implementers, reviewing and articulating the organization's approach to data quality assurance, and improving visibility and analytics of assurance reports to support organizational learning. As part of the GC7 reporting process, there is a conscious shift to tailored risk-based assurance of PR reported results (programmatic, financial and SO) to minimize duplication and compliment country-led assurances.

Strengthening risk management capability

40. As the organization's maturity evolves, there is an opportunity to further differentiate and improve the role of the Risk Department and other second line teams, particularly in relation to monitoring and oversight. This includes introducing differentiated support for prioritized portfolios to target available resources where the need to mitigate risk and the potential for impact is greatest, an increased emphasis on enhancing portfolio analytics, and better use of data to inform risk deep dives and trade-off decisions.

41. To continue to promote a risk-aware culture throughout the organization, a comprehensive training program was initiated for first and second line teams in 2023. This will be expanded in 2024, including to in-country stakeholders. The program will see training and sensitization programs delivered to front, first and second line teams across all risk types (country, operational and business process risk), building accountability for risk management, and aiding the development of, and further embedding a risk-aware culture across the partnership.

CHIEF RISK OFFICER'S ANNUAL OPINION

42. The Global Fund partnership continues to deliver on its mission, as evidenced from the positive programmatic results and reversal of trends post-pandemic. The level of investment through HTM-RSSH grants and C19RM is the highest amount of funds ever invested since the inception of the Global Fund. This is an opportunity that the Global Fund partnership and the countries must maximize to deliver results and maintain momentum in the fight against the three diseases.
43. The current risk environment remains highly volatile and the evolving global development and health landscape, including shifting priorities and competition for resources, will inevitably impact Global Fund supported programs and the people they serve. Despite the volatility, the trajectories of grant facing risks are largely steady or improving, with the exception of malaria, and overall the risk profile remains stable.
44. The volatility is primarily driven by external factors elaborated earlier in this Report over which the Global Fund and implementers have very limited control or influence. These include climate change, a changing health financing landscape, impacting both domestic and donor resources, and a combination of geo-political events. To navigate and adapt to this uncertainty will require responsive and timely decision-making and the ability to capitalize on opportunities, working with the partnership, to protect the interests of beneficiaries.
45. Good progress has been made in implementing effective and fit-for-purpose risk management tools and approaches, especially in the context of risk appetite and assessing and addressing grant facing risks. The way in which the organization responded to COVID-19 related disruptions and implemented C19RM reflects this agility. Taking into account the opportunities and areas for improvement highlighted in the Report, the general direction is positive, and the infrastructure is in place for managing and mitigating both known risks, but also pivoting to respond to new and emerging risks.
46. However, traditional risk management approaches and tools will continue to be tested. This will be increasingly the case as the Global Fund and implementers significantly increase their investments into newer and non-traditional areas of health systems strengthening, including health workforce, oxygen, pandemic preparedness and surveillance, issues around health financing and sustainability, and dealing with declining space on human rights and gender-related barriers to services.
47. As a consequence, despite strong foundations, risk management strategies will need to further evolve. This will include improving the measurement of risks where possible, monitoring the evolution and impact of these risks, and collaborating with the wider partnership in developing mitigation plans or improving the ability of programs to adapt. It also requires making data more actionable, with a focus on driving insight, promoting the use of data for monitoring and performance management, and more proactive use of risk appetite to make informed trade-off decisions, and to continuously learn and evolve.
48. As the Secretariat channels its efforts in the next 12-18 months into articulating a robust investment case for the 8th replenishment and mobilizing support in coordination with partners, there is also a need for parallel future-proofing. This must include active consideration of the organization's core strengths and value proposition, careful prioritization of Secretariat led initiatives and optimizing its workforce capacity, coinciding with the end of C19RM grants, to deliver efficiently and effectively on the strategy.
49. Lastly, it is imperative to acknowledge that the Global Fund has over the years, and notably during the COVID-19 pandemic, demonstrated its adaptability and ability to deliver financing to countries in a framework that is inclusive, country owned, transparent and that drives accountability. The Global Fund can and should play a critical role in bridging the voices of the communities and vulnerable

populations, national governments, the private sector, and donors. Ensuring these core principles continue to underpin the organization's operating model and ways of doing business will facilitate a sustainable and coordinated response to the emerging challenges and threats.

ANNEXES

The following items can be found in the Annex:

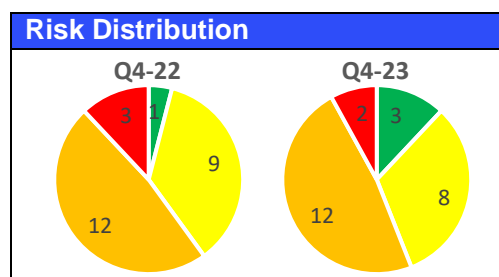
- Annex 1: Organizational risk summaries for Q4 2023
- Annex 2: Key risk management progress and metrics
- Annex 3: Relevant past Board decisions
- Annex 4: Relevant past documents and reference materials

Annex 1: Organizational Risk Summaries for Q4 2023

Risk Name	Residual Risk	Change in Residual Risk since last quarter	Direction of travel
01 - Program Quality - HIV	High	No change	Decreasing ↓
02 - Program Quality - TB	High	No change	Decreasing ↓
03 - Program Quality - Malaria	High	No change	Increasing ↑
04 - M&E	Moderate	No change	Steady →
05 - Procurement	High	No change	Decreasing ↓
06 - In-Country Supply Chain	High	No change	Steady →
07a - Grant-Related Fraud & Fiduciary	High	No change	Decreasing ↓
07b - Accounting & Financial Reporting by Countries	Moderate	Decreased	Steady →
08 - In-Country Governance	Moderate	No change	Increasing ↑
09 - Quality of Health Products	Moderate	No change	Steady →
10 - Human Rights & Gender Equality	High	No change	Increasing ↑
11 - Transition	High	No change	Increasing ↑
12 - Drug & Insecticide Resistance	High	No change	Increasing ↑
13 - Ethical Misconduct and SEAH	High	No change	Steady →
14 - Future Funding (Donor Funding & Domestic Health Financing)	High	No change	Increasing ↑
15 - Internal Operations	Moderate	No change	Steady →
16 - Integrated Grant Policies, Processes, Systems & Data	Moderate	No change	Steady →
17 - Risk Management & Internal Controls	Moderate	No change	Steady →
18 - Legal	Moderate	No change	Steady →
19 - Governance & Oversight	Moderate	No change	Steady →
20 - Organizational Culture	Moderate	No change	Steady →
21 - Workforce Capacity, Efficiency & Wellbeing	High	No change	Increasing ↑
22 - Reputation	High	No change	Steady →

Program Quality - HIV

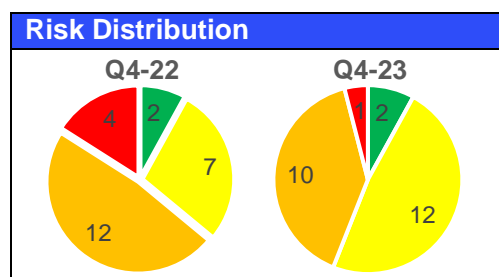
Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk Appetite	High
Target Risk	Moderate
Timeframe	June 2024
Risk direction of travel	Decreasing ▼



Definition	Risks to program quality include failure to implement program activities/services with fidelity and/or delays and disruptions in implementation due to a range of factors including weak management, service accessibility, workforce capacity, and political, social or naturally occurring disruptive events. These risks result in missed opportunities to optimize HIV outcomes and to strengthen resilient and sustainable systems for health. Key consequences include failure to find undiagnosed HIV cases; to reach those at high risk of HIV infection with effective prevention options; to rapidly initiate and support continuity of effective treatment and achieve viral load suppression. These failures result in ongoing HIV transmission and acquisition, and HIV-related morbidity and mortality.
Potential key drivers	The key drivers of risk include policy, regulatory and implementation delays in adopting global guidance and in introducing innovative approaches, service delivery modalities, tools, and technical recommendations. Barriers to accessing effective services drive risk and are due for example to geographic, financial, service quality, human resource, and gender and human rights considerations. Obstacles in de-medicalizing and integrating HIV services to expand service delivery platforms – including community access points or virtual services – also contribute to these risks. Poor service quality due to inadequate supervision and mentoring, and failure to use data effectively to improve service quality, are additional key drivers of risk. In many countries, service disruption due to political unrest, disease outbreaks, and natural disasters further increase risks to effective implementation. Finally, in countries where need outpaces resources, inadequate scale of interventions limits impact.
Current response	Current responses include leveraging the Global Fund partnership to disseminate and support use of best practices and practical guidance including quality standards, normative guidelines, and tailored communication to accelerate transition to updated technical partner guidance. With secretariat and partner support, we work to manage risk of supply interruption, and to support use of optimal HIV prevention and treatment products and options, including through support to policy and regulatory updates, training, and monitoring. Specific attention is given to incorporate differentiated HIV testing approaches, to optimize prevention efforts and target those who need them most; to strengthen facility- and community-based ART access and support for treatment continuity. The response to risk drivers also includes support to countries in implementing the 22 HIV Program Essentials, which are critical interventions for achieving the outcomes and impact outlined in global HIV strategies.
Planned response	The current responses will continue. In addition, the Global Fund will expand efforts to introduce new and phase out legacy products while unlocking HIV product budget and procurement efficiencies in all countries where we fund commodities; to support sustainability planning in countries prioritized by Secretariat where the imperative of integration is most pressing. Finally, the response will continue and intensify the secretariat support to HIV Incidence Reduction focus countries.
	The overall status of risk mitigations is on track.
Outlook	The Program Quality risk for HIV is on track to reach Moderate risk by the target risk timeframe. However, we cannot underestimate the continued challenges ahead, including resource and human resource gaps that limit coverage and impact, the growing threat to human rights among those most at risk of HIV acquisition, and the severe disruptions caused by political and social upheavals and natural disasters.

Program Quality - TB

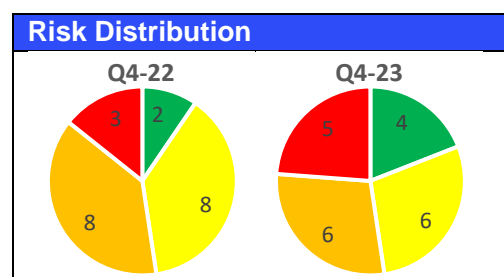
Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk Appetite	High
Target Risk	Moderate
Timeframe	June 2025
Risk direction of travel	Decreasing ▼



Definition	The risk encompasses poor quality or delays in Global Fund-supported Tuberculosis (TB) programs, resulting in missed opportunities to achieve the global and national targets. Key issues include gaps in the coverage and quality of TB prevention, diagnosis, and treatment interventions, especially among people with multidrug-resistant TB (MDR-TB), and other vulnerable groups, significant funding gap, and limited uptake and scale up of new tools and innovative approaches.
Potential key drivers	The risk drivers for TB, prevention, diagnosis and treatment interventions under the grant include insufficient scale and focus of interventions or delays in adhering to or scaling up national or WHO guidelines, including for medicines, diagnostics, and patient management. to achieve desired coverage and impact. Lack a people-centered approach and fail to tailor investments to specific epidemiological contexts, societal risk factors, and health-seeking behaviors compound the risks. Political unrest, disease outbreaks, and natural disasters further disrupt program implementation. Poor service quality due to inadequate trainings of health care professions, including community health workers, supervision and mentoring, and failure to use data effectively to improve service quality, are additional key drivers of risk.
Current response	The current response to TB, prevention, diagnosis, and treatment risks involves promoting varied service models and community-level/private sector initiatives to find missing people with TB. Continuous dissemination of best practices and guidelines is supported by Technical Advice and Partnerships. There is an emphasis on using data to evaluate program performance, including country-specific and cross-portfolio reviews. Additionally, there is a focus on creating contingency plans for political, security, and pandemic disruptions. Technical support through the TB Strategic Initiative is intended to design innovative strategies for finding and treating TB, with a focus on pediatric and vulnerable populations.
Planned response	<p>The planned response to tuberculosis (TB) encompasses comprehensive strategies spanning prevention, diagnosis, and treatment. Technical assistance will be provided to countries for the adoption of innovative diagnostic tools and treatments, such as digital x-rays, shorter regimens for drug-resistant TB, tuberculosis preventive therapy, and pediatric formulations, which are also the focus of grant assurances. At the Secretariat level, the focus is on delivering technical support to sign high-quality grants, supporting innovation and the adoption of new tools to enhance TB screening and diagnosis, and enhancing partner collaboration for maximum impact and sustained progress. Seeking price reductions for essential TB commodities and promoting integration, including utilizing funds from C19RM, are integral aspects. National-level interventions involve optimizing diagnostic systems, deploying skilled healthcare providers, improving governance and stewardship of National TB Programs, and establishing mechanisms for monitoring program essentials in Global Fund-supported countries.</p> <p style="background-color: #90EE90;">The overall status of risk mitigations is on track.</p>
Outlook	The current strategies and planned initiatives indicate a strong likelihood of achieving the 'Moderate' risk level by June 2025. While the current trajectory is promising, ending tuberculosis requires sustaining adequate funding to expand access to timely and quality diagnosis, building the capacity of implementers, accelerating introduction of new tools, and active involvement of the private sector and communities.

Program Quality - Malaria

Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk Appetite	Very High
Target Risk	Moderate
Timeframe	TBD
Risk direction of travel	Increasing ▲

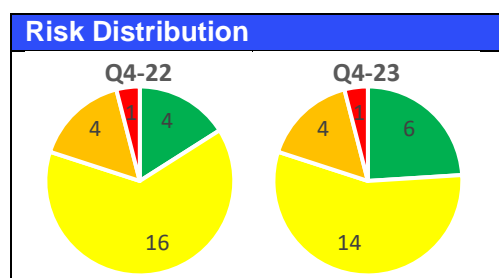


Definition	Inadequate program targeting/quality, inefficiencies in implementation, and/or delays/disruptions in implementation of Global Fund grants, result in missed opportunities to achieve outcomes and maximize impact (reduction in incidence and mortality) in malaria programs. Sub-optimal coverage and quality of case management and vector control interventions would also increase the risk of drug and insecticide resistance. While programs are making strides to sub nationally tailor intervention mixes, countries still have insufficient data to fully tailor their programs and tailoring of implementation is still nascent.
Potential key drivers	Malaria programs face significant challenges, such as disease outbreaks, political unrest and natural disasters that disrupt program implementation, biological threats including insecticide and drug resistance and introduction of new vectors, climate change events impacting disease transmission, and insufficient use of surveillance data hampers the design of effective, context-specific interventions. Compounding these issues are problems with health product quality and supply chains, leading to shortages of essential malaria commodities and delays in critical prevention campaigns. Additionally, the scale of funded interventions often falls short of achieving the necessary programmatic coverage and impact. This in the context of macro-economic and health financing gaps accentuate the gaps in coverage of critical malaria interventions. At country level there is also insufficient focus on evidence-based continuous quality improvement approaches, sub-optimal engagement of private sector and communities leading to gaps in access to quality care as well as insufficient data to improve the services provided at both national and sub-national levels.
Current response	The Global Fund's response to malaria program challenges includes disseminating best practices and guidelines through its Technical Advice and Partnerships, focusing on quality standards and support troubleshooting tailoring solutions to various challenges based on the country context and in collaboration with stakeholders. In addition, the Global Fund works with partners, including manufacturers, to scale up high impact interventions to ensure coverage with the appropriate tools and with partners at country level to support them to use available data to target the distribution of such tools. Concrete actions to address the key threats to progress in malaria control include consolidate efforts to strengthen integration of malaria within primary health care (at public and private facility level as well as community level) and support countries to expand access to quality care in collaboration with RSSH partners, ensuring support for surveillance on drug and insecticide resistance; continue to support strengthening of country capacity to use data for decision-making. This is done in collaboration with multiple partners and has thus far resulted in several national programs able to conduct intervention stratification with limited or no support as well as the expansion of support to countries outside the HBHI initial country list.
Planned response	The Global Fund, together with partners will use multiple approaches to address challenges across the diverse extrinsic, financial, programmatic, and biologic risks facing malaria control. Priorities include: <ol style="list-style-type: none"> Continued engagement at international and national level to increase access to the most effective tools with a particular focus on areas with identified drug and/or insecticide resistance, maximizing the opportunity of the Revolving Fund and finalizing and rolling out the strategy for the introduction multiple first line therapies. Work to mobilize resources to address gaps in high impact interventions while also continuing to identify possible efficiencies in programming (ex. product specifications).

	3. Explore opportunities to reduce the environmental impact of malaria interventions with a particular focus on ITNs (upstream and downstream) in collaboration with Supply Operations, GMD and partners.
	The overall status of risk mitigations is on track.
Outlook	The Malaria Program Quality risk has moved to upper end of high at end of 2023, and likely to remain elevated over the next 12-24 months. The Secretariat is systematically reviewing and reassessing the coverage gaps under GC7 to inform residual risk rating and mitigation plans. While the responses put in place, including driving efficiencies will mitigate part of the risks, the programs have limited ability to mitigate risks arising due to climate change events, political and security disruptions, and emerging biological threats. Further risk mitigation is contingent upon additional funds to meet coverage gaps or scale-up interventions to meet the demand or introduce new tools. However, the Secretariat will continue to optimize grant investments to address the impact of emerging risks and climate change events on the grants.

M&E

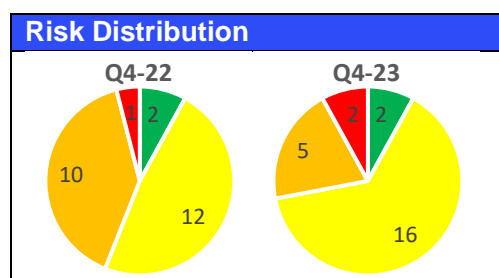
Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk Appetite	Moderate
Target Risk	Moderate
Timeframe	Not Applicable
Risk direction of travel	Steady ▶



Definition	The risk is characterized by insufficient generation of quality program data due to weak in-country monitoring and evaluation (M&E) systems. This inadequacy hinders strategic planning, evidence-based decision-making, and efficient investment, impacting programs' ability to meet their targets and achieve desired health impacts. Delayed, incomplete and inaccurate data impedes effective program management and the Global Fund's assessment of impact, leading to misaligned focus on interventions, geographic areas, and beneficiary populations, and ultimately failing to attain the intended public health outcomes.
Potential key drivers	The risk drivers for program data include ineffective data governance and management due to weak leadership and coordination in monitoring and evaluation (M&E). Challenges further include the lack of disaggregated data collection, inadequate oversight to strengthen data quality, and issues with digitalization and maintenance of information systems. Interoperability issues among reporting platforms hinder data triangulation analysis. Additionally, poor data quality from various sources, insufficient use of disaggregated data for planning, and a lack of effective data quality improvement plans are key concerns. Overall, these factors contribute to suboptimal data generation, availability, quality, analysis, and use in program management.
Current response	The current approach to addressing data risk drivers includes enhancing regional and in-country capacity for data collection and analysis, institutionalizing digital health data system governance, and improving data interoperability between community, private sector, and national health systems. Strengthening digital data security and infrastructure, along with ensuring data quality at the country level, are also key focuses. Efforts are being made to enable effective data triangulation, integrate patient-level laboratory and programmatic data, and promote data-driven decision-making. Additionally, there is an emphasis on using disaggregated data to identify and address health inequities.
Planned response	<p>The planned response will focus on defining a partner harmonized data quality framework which will include various options and tools for data quality improvement at country level, the definition and monitoring of data quality metrics for both paper-based and digital systems and supporting portfolios in their uptake. Portfolio specific M&E priorities and risks will be supported. M&E module financial absorption will be closely monitored to ensure most impactful investment, and to inform the inclusion of key data system activities that could not be integrated during grant signing</p> <p style="background-color: #90ee90;">The overall status of risk mitigations is on track. There are no material delays.</p>
Outlook	Increasing complexity of programs, expansion of outreach and community service delivery models, demand for complete, quality and timely data to better target investments and measure outcomes, and need for enhanced surveillance to monitor current and future public health threats, emphasizes the importance for ongoing investments and support, and monitoring trends in M&E systems maturity. While challenges remain, the moderate risk level is expected to be maintained.

Procurement

Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Significant
Risk Appetite	High
Target Risk	Moderate
Timeframe	June 2024
Risk direction of travel	Decreasing ▼



Definition	The risk is defined by procurement challenges and failures that could lead to poor value for money, financial losses, incorrect or substandard products, delayed delivery, and potentially leading to stockouts, treatment disruption, or wastage of funds. Upstream global sourcing challenges could affect lead times and costs, significantly impacting grant budgets and product availability. Downstream in-country risks such as quantification, supply planning, and procurement processes, might lead to inefficiencies, lost value, or fraud, further affecting product availability.
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Potential key drivers	The key drivers of risk involve inadequate quantification and forecasting and gaps in health product and non-health product procurement procedures and controls. The risk can be impacted by upstream / global challenges include global supply chain disruptions (manufacturing capacity, reduced freight capacity/availability, conflict, inflation, export restrictions, increasing potential for cybersecurity attacks to actors in the supply chain), impacting lead times and costs. The downstream / in-country challenges include inadequate procurement planning and monitoring, governance, complex importation requirements, lack of stakeholders' coordination and procurement processes. Both types of challenges could lead to programmatic impact; such as reduced product availability, inefficiencies, lost value, or fraud.
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Current response	<p>Responses span the spectrum of strategic and tactical levels to enable robust mitigations to the dynamic, complex procurement and supply risk environment.</p> <p>At the strategic policy level: Implementing the Global Fund strategy and NextGen Market Shaping approach through updating and implementing product and services category sourcing strategies, enabling implementation of robust policies, partnering with other organizations to develop areas of improvements for the Global Fund to implement (e.g. OIG Advisory assessment of the Procurement Services Agents (PSA) services being implemented through the updated PSA Strategy) and leveraging partnerships to optimize supply, logistics solutions and accelerate regulatory approval.</p> <p>At the tactical operational level: Regular coordination with manufacturers, suppliers, PSAs and partner organizations to monitor, assess, identify and mitigate risks, and health product supply impact. Short/medium-term response activities drive to increase and expand alternative compliant products, continuous improvement to reduce inefficiencies in the supply chain, improved demand planning (such as through current implementation of demand planning tool) and additional supply solutions.</p> <p>At the country level: This is both the continued regular engagement and communication with the PRs/Countries and GMD as to potential supply challenges and how all stakeholders can mitigate accordingly, such as product lead-times and timely order placement, the capability for the PR to transact orders using grant and non-GF grant funding and the Rapid Supply Mechanism for emergency needs response.</p>
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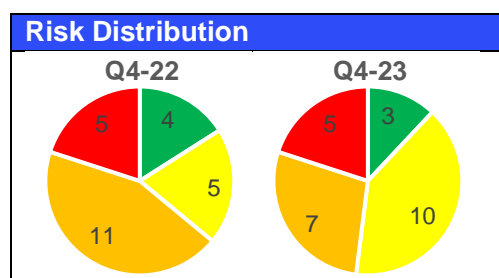
Planned response	<p>Future planned responses center on the continued mitigation of known risks and the unknown risks. This includes increased appropriately tiered monitoring and oversight within the Secretariat of supply, continued implementation of current responses (e.g. PSA Strategy, demand management, QA Policies, cybersecurity measures focus), grant specific key mitigating actions revisions for high-risk portfolios and the strengthened monitoring of country specific assurance plans.</p> <p style="background-color: #c6e0b4; padding: 2px;">The overall status of risk mitigations is on track. There are no material delays.</p>
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Outlook

Based on current information, while the current risk level is 'High', with ongoing efforts on articulating the health product segmentation framework to manage procurement related risks, and additional grant assurance activities, we expect to reach a 'Moderate' risk level by the Board approved timeframe.

In-Country Supply Chain

Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Minor
Risk Appetite	High
Target Risk	Moderate
Timeframe	June 2024
Risk direction of travel	Steady ▶



Definition	The risk involves disruption or underperformance of in-country health product supply chains, from central warehouse to point of service delivery, which can result in inadequate availability of essential commodities or their wastage through expiries or diversion. This issue stems from gaps in supply systems, data processing, logistics, or financing, hindering the achievement of grant objectives. A significant portion of grant funding is dedicated to health products, but the fragility, insecurity, and poor management of in-country supply chains can lead to treatment disruptions, inferior service quality, increased drug resistance, product wastage, and reduced value for money. These issues can ultimately diminish the impact of Global Fund investments and lead to higher mortality and morbidity rates.
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Potential key drivers	The key risk drivers for the in-country supply chain issues include: inadequate leadership and coordination, poor data availability, visibility, with quality and inadequate facility storage capacity and conditions. Challenges include inadequate or lack of national strategies, poor logistics planning, inefficient inventory management, inaccurate quantification and forecasting, inadequate information systems, limited capacity of local actors. Additionally, lack of coordination among donors and stakeholders and upstream shipment delays further strains the supply chain. Finally, the Global Fund and its partners face resource limitations to fully finance supply chain strengthening activities.
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Current response	The current response to the supply chain risk drivers involves the implementation of a comprehensive Supply Chain Roadmap over the next four years, leveraging grant and SI funds. This includes transformation plans implemented in 35 countries, with plans to expand to others. A restructured technical assistance framework is now in place, utilizing a pre-qualified pool of service providers. Efforts are also being made to improve storage quality in 6 targeted countries through actions over physical storage conditions, updating storage processes and tools (ERP), and optimizing distribution networks. Additionally, a Supply Chain Maturity Model has been developed to assess maturity levels and identify improvement areas in all GC7 High Impact and Core countries.
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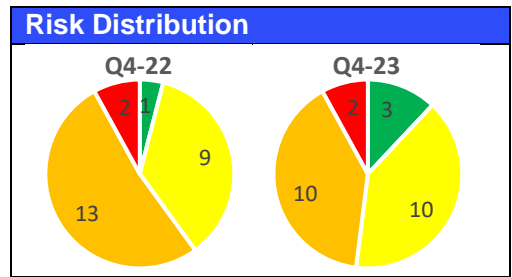
Planned response	<p>The planned response to supply chain risk drivers focuses on ensuring data collection and reporting for key supply chain indicators in High Impact and Core countries and enhancing Logistics Management Information Systems (LMIS) data quality and data use for supply chain investment performance management. Additionally, there is an emphasis on strengthening supply planning and monitoring capacities, ensuring synergies between procurement planning and subsequent storage and deliveries, and updating Supply Operations policies to include new guidance and tools for risk reduction and performance improvement. This includes revamping Principal Recipients' capabilities in third-party logistics management and contracting. Strategies also involve revising mitigating actions for high-risk countries, ensuring timely execution of COVID-19 Response Mechanism assurances, and implementing the Supply Chain Maturity Model assessment in targeted countries.</p> <p style="background-color: #90EE90;">The overall status of risk mitigations is on track. There are no material delays.</p>
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Outlook

Despite no large-scale stock-outs leading to major service disruption, stock-outs at facility level, overstocking issues and related expiries remain. Gaps in warehousing, information systems and last mile distribution remain in several geographies. With limited resources available, it is essential to tailor interventions based on a thorough evaluation of maturity levels. Considering the challenges, achieving a moderate risk level by June 2024 seems overly optimistic.

Grant-Related Fraud & Fiduciary

Residual Risk	High
Change since last quarter	Changed –Direction of Travel
Global Fund ability to mitigate	Moderate
Risk Appetite	High
Target Risk	Moderate
Timeframe	June 2024
Risk direction of travel	Decreasing ▼



Definition	The risk of financial fraud, corruption, and theft in the Global Fund involves the misappropriation of assets, intentional misstatement of financial statements, and losses due to corruption, including conflicts of interest and bribery. These risks lead to financial losses, reduced program coverage, lower execution, and diminished impact against diseases, alongside potential reputational damage.
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Potential key drivers	The financial risk drivers include weak procurement processes, particularly for COVID-19 health products and capital investments, and inadequate internal control systems at both Principal and Sub-Recipient levels. There are critical deficiencies in fraud risk governance and control, along with challenges in fund flow due to low banking coverage and macroeconomic instability. Operational disruptions hamper the execution of financial controls, resulting in potential ineligible expenditures and asset loss, while grants in conflict-affected areas with low-capacity implementers face higher misuse risks. Emerging cybersecurity threats and poor data governance controls also present significant risks of financial fraud and corruption. Economic outlook as we enter 2024 remains fragile as inflation and cost-of-living crisis persist and, internationalization and interstate armed conflict remains on the rise. Increased inherent financial and fiduciary risk in implementing countries as challenges and disruption (macro and portfolio level) continue, thus creating an environment which provides both, more opportunities and incentives for fraud.
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Current response	The response to financial risk drivers includes enhanced governance and oversight of implementers, improved financial assurance models, and revised external audit terms for risk assessment. System-generated reports now facilitate better triangulation, including enhanced M&O of financial recoveries. Corporate-level measures include mandatory direct payments to high-risk suppliers, advanced bank account management, training in cyber fraud awareness, and a two-tier monitoring system within finance focusing on risk management and capacity building. Independent fiscal agents pre-selected by the Global Fund are used in high-risk countries. Robust external audit process through use of comprehensive guidelines is in place. Efforts to minimize cash transactions using innovative cost-efficient technological payment platforms. Oversight mechanisms for COVID-19 Response Mechanism (C19RM) activities and procurements have been strengthened (Wambo/PPM, third-party outsourcing, spot checks). Financial guidelines are being effectively implemented. Annual risk management reviews by UN entities and INGOs has been completed. There's also an increased focus on training and raising awareness about fraud risk identification and management.
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Planned response	The planned response to financial risk drivers involves revising assurances from service providers, reassessing the fiscal agent model, and performing periodic thematic reviews on key risks and implementer types. A team is enhancing in-country financial management, with significant progress made in implementing action plans. Fraud Risk Maturity Assessment recommendations are being applied across various departments to strengthen programmatic assurance and fraud monitoring. Joint in-country anti-fraud conference is planned for Q2.2024. Financial reporting is being streamlined alongside revisions to the Assurance Framework to improve risk and control aspects. Fraud Risk Assessments in selected high-impact and core countries are informing risk management strategies and future grant cycles.
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The overall status of risk mitigations is on track. There are no material delays.

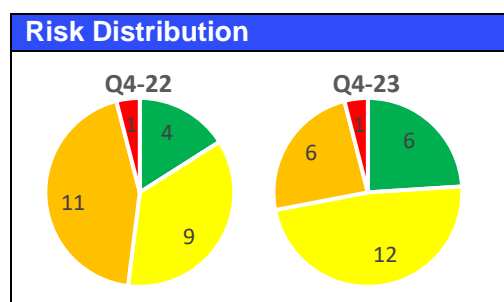
Change since last quarter: The direction of travel is now decreasing due to the ongoing mitigating actions, along with concentrated efforts in key priority portfolios, including Nigeria, Mozambique, DRC, Uganda, and Malawi.

Outlook: Heightened risk awareness, training and sensitization of the Global Fund country team members, PR workforce, assurance providers have reinforced Global Fund's ability to adapt its risk mitigating measures in managing financial fraud risk inherent in grant implementation. As a result, fraud assessments and assurance measures are expected to reduce risks to a moderate level by the target date.

Accounting & Financial Reporting by Countries

Residual Risk	Moderate	Risk Distribution
Change since last quarter	Changed – Residual Risk & Direction of Travel	
Global Fund ability to mitigate	Moderate	
Risk Appetite	High	
Target Risk	Moderate	
Timeframe	December 2023	
Risk direction of travel	Steady ▶	

Definition	The risk involves the possibility of Principal Recipients and Sub Recipients providing incorrect, delayed, incomplete, or inadequately documented financial records and reports related to Global Fund funds. This leads to poor decision-making due to inadequate or low-quality data, resulting in suboptimal resource allocation and reduced impact in targeted areas.
Potential key drivers	The risk drivers in accounting and financial reporting include significant investments in countries with inadequate human resource capacity and poor or nonexistent financial management systems, extending to peripheral operations. Additionally, there are weak processes and internal controls at the levels of Principal Recipients (PRs) and Sub Recipients (SRs). In terms of auditing, there are suboptimal arrangements, leading to limited assurance from external auditors.
Current response	Integrated capacity strengthening and in-country risk reviews, with significant progress in implementing financial management action plans in 46 key countries. Continuous monitoring of financial management improvements is conducted, alongside proactive senior management oversight through Monthly Monitoring Meetings. Countries using country (PFM) or donor -harmonized system components for financial management have completed public financial management transition efforts towards use of country PFM system (8 out of target of 8). Additionally, robust external audit process through use of revised guidelines have been effective since 2021 audits. Financial reporting has been strengthened by the rollout of ERP systems, including automation even at peripheral levels of grant implementation. Emphasis has been placed on integrated internal audit reviews, particularly for INGO and leading PRs, to ensure more direct in-country assurance and promote the use of country systems.
Planned response	<p>The planned response to risk drivers includes optimizing cash management and minimizing foreign exchange risk in grant implementation. This involves rolling out a Foreign Exchange in Grants framework, focusing on managing foreign exchange on cross-currency grant disbursements. An enhanced pilot of this approach is currently being conducted in Nigeria, specifically targeting National PRs' non-PPM budgets. At corporate level, continuous monitoring of quality of reporting by calculating variance between Principal Recipient reported expenditures and Global Fund verified expenditures. The latest results showed a less than 0.03% variance on the 2022-year end reporting.</p> <p>Ongoing work to streamline financial reporting with enhancements to current reporting framework – additional functionalities to the partner portal used by Principal Recipient for submitting reports, update of reporting guidelines and training. All these actions once completed should improve quality and timeliness of Principal Recipient and Sub Recipient reporting.</p>
The overall status of risk mitigations is on track. There are no material delays.	

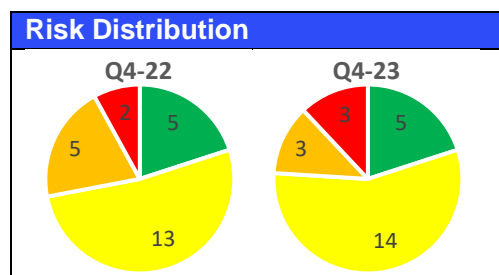


Change since last quarter: The COVID-era disruptions faced by implementers and assurance providers are no longer a barrier to timely and quality financial reporting by implementing countries. The Secretariat CTs have closely worked with second-line oversight teams, PRs, and assurance providers to institute adequate mitigating measures which have enabled the grant Accounting & Financial Reporting Risk to decrease from High (since June 2020) to Moderate.

Outlook: The direction of travel is now considered steady, with consistent improvements seen in the two underlying sub-risk categories i.e., Accounting and Financial Reporting and Auditing Arrangements.

In-Country Governance

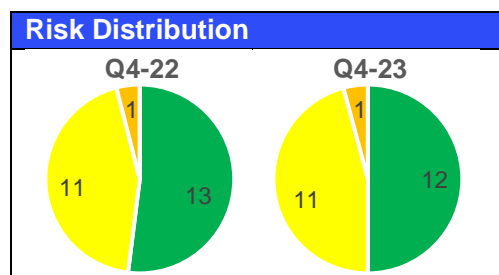
Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk Appetite	Moderate
Target Risk	Moderate
Timeframe	Not Applicable
Risk direction of travel	Increasing ▲



Definition	The risk involves inadequate national program governance, insufficient CCM and Principal Recipient oversight of grants, and non-compliance with Global Fund management requirements. This is compounded by the Ministry of Health's limited capacity to manage national health plans for Universal Health Care. Poor governance and oversight lead to grant underperformance, poor value for money, fraud and non-compliant expenditures, reputational damage to the Global Fund, and failure to effectively combat the three diseases.
Potential key drivers	The risk drivers include insufficient human resource capacity and training, weak Sub Recipient selection and oversight, and inadequate human resources and internal controls at the Principal Recipient level. Poor government and CCM oversight, suboptimal collaboration among stakeholders, and inadequate risk mitigation policies exacerbate these issues. Ineffective management of disease programs, unclear authority lines, and limited resource allocation further contribute to the risks. Additionally, external factors like political instability, economic challenges, and health service disruptions due to emergencies negatively impact governance and grant oversight.
Current response	The response to risk drivers involves selecting Principal Recipients (PRs) following a Capacity Assessment, with capacity building measures in place to resolve any PR shortfalls, mapping implementation arrangements for new grants, and assessing the risks and developing mitigation plans for better PR oversight. In the case of countries operating under the Additional Safeguard Policy (ASP), ASP provides an increased level of assurance. Monitoring focuses on government and disease program oversight, with pre-grant signing actions to address capacity challenges and assess readiness for new PRs. Comprehensive assurance plans target High Impact and Core portfolios. Updated policies enhance risk management and Global Fund oversight, while support for IT infrastructure and contingency planning and further engagement with humanitarian partners ensures service continuity and asset safeguarding during emergencies.
Planned response	<p>The planned response to risk drivers includes consolidating the gains from the rollout of CCM Evolution and ongoing support to bolster the capacity of Country Coordinating Mechanisms (CCMs) across High Impact, Core, and Focused portfolios. A phased rollout is planned to develop and implement a Principal Recipient (PR) maturity framework and performance rating methodology by the end of 2025. Performance ratings of existing PRs and Capacity Assessments of current and new PRs will inform approaches to further build capacity, if necessary, of national programs and civil society PRs and SRs. On-going implementation to strengthen front-line risk management capability involving in-country risk workshops with CCMs, PRs, implementers, and partners, particularly in High Impact and Core countries. Efforts are also focused on improving the operationalization and implementation of both the COE Policy and the Additional Safeguard Policy (ASP), incorporating insights from TERG Evaluations and OIG Audits and Advisory.</p> <p style="background-color: #c6e0b4;">The overall status of risk mitigations is on track. There are no material delays.</p>
Outlook	In-Country Governance, continues to have an increasing direction of travel, primarily driven by external factors like political instability and security threats, and weaknesses in institutional capacity and in-country governance mechanisms to support inclusive dialogue and oversee delivery of ambitious strategy. The residual risk is anticipated to be at moderate risk level.

Quality of Health Products

Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk Appetite	Moderate
Target Risk	Moderate
Timeframe	Not Applicable
Risk direction of travel	Steady ▶



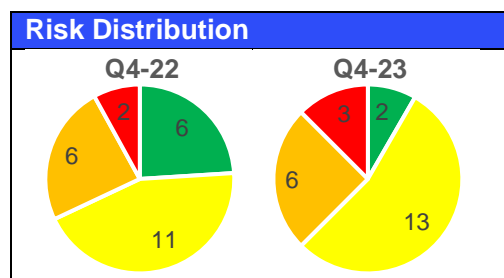
Definition	The risk involves patients being exposed to substandard quality health products from Global Fund-supported programs, which are unsafe, ineffective, or of poor quality. This leads to poor health outcomes including death or morbidity, increased drug resistance, and diminished impact of Global Fund investments.
Potential key drivers	The risk drivers include the lack of implementation of good dispensing practices and reliance on less stringent WHO or stringent regulatory authority (SRA) Emergency procedures for COVID-19 commodities. In addition, weaknesses in the upstream health product lifecycle (such as limitations on market authorization mechanisms) and procurement of sub-standard health products (non-WHO-Listed Authority (WLA) prequalified, non-SRA approved or recommended by ERP) increase the risk of inadequate HP entry in the market. Moreover, weak supply chain systems further the risk of not maintaining product quality throughout the supply chain. Finally, the introduction of innovative health products brings uncertainty about their safety and manufacturing process variability.
Current response	<p>On the policy level, responses include: collaboration with partners for aligned quality standards and addressing safety issues in procured health products, establishment of the Expert Review Panel process in collaboration with WHO to support introduction and provide access to innovative health products, establishment of the Health Product Risk Committee to evaluate and manage quality risks, enhancement of Quality Assurance policies including Medical Devices, development of new guidance documents for PPE procurement, and finally providing guidance for quality monitoring of LLINs.</p> <p>On the investment level, responses include targeted RSSH investments for strengthening selected countries pharmacovigilance systems and supporting supply chain strengthening and logistics operations, in particular storage and distribution which indirectly contribute to maintaining product quality.</p> <p>On the operational level, responses involve the development of country specific QA/QC plans to ensure in-country product monitoring throughout the supply chain, the development of an e-learning platform for QA training and organization of PR learning sessions. In addition, there's a plan in place to shift from ad-hoc to planned monitoring of health products. Finally, using centralized procurement through PPM and UN agencies will facilitate PR compliance to Global Fund's QA policies.</p>
Planned response	<p>The planned response to quality risk drivers include: refining the Quality Assurance approach, supporting WHO capacity to review current PQ and ERP requests for new health products and developing well-defined Prequalification processes, setting up strategies to support countries in investigating and removing ineffective or dangerous health products and boosting the pharmacovigilance for innovative health products in pilot countries. Also, a review of Corrective Actions and Preventive Actions (CAPA) implementation for one Procurement Service Agent is planned following MQAS audit on 3 PSAs.</p> <p style="background-color: #ffff00;">Risk mitigation is progressing but there are some delays.</p>

Outlook

Combination of factors including procurement using pre-qualified suppliers, both by countries and under Wambo, stringent QA requirements and monitoring of compliance help in maintaining the risk at moderate level. While gaps in post shipment QA procedures are known, these are unlikely to shift the overall residual risk for the core HTM products procured under the grants.

Human Rights & Gender Equality

Residual Risk	High	Risk Distribution
Change since last quarter	No change	
Global Fund ability to mitigate	Moderate	
Risk Appetite	Not Applicable	
Target Risk	Not Applicable	
Timeframe	Not Applicable	
Risk direction of travel	Increasing ▲	



Definition	Human rights-related barriers and gender inequality, including stigma, discrimination, and harmful gender norms, heighten risk and vulnerability, limit access to services and lead to poorer health outcomes for women and girls, key, vulnerable and underserved populations. Failure to address these issues undermines the effectiveness and impact of Global Fund-supported health programs.
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Potential key drivers	The human rights risk drivers include harmful laws, policies and practices, and inadequate response to human rights-related barriers due to insufficient/outdated assessments and plans. Safety and security risks for program implementers and beneficiaries are insufficiently assessed and addressed. For gender equality, contextual risk drivers include harmful gender norms, laws and policies, and political and social backlash against gender equality. Programmatic drivers include insufficient knowledge, capacity and political will to implement gender-focused health programs; health workforce approaches that perpetuate gender inequality and insufficient collection and use of gender data. For both human rights and gender equality, programs addressing these issues are limited in scale, scope and quality, and meaningful community engagement in the response is insufficient.
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Current response	Global Fund's ability to mitigate the human rights and gender equality risk is medium and the risk drivers continue to amplify in the context of the backlash against human rights and gender equality. The response includes specific support to strengthen national strategies and programming for Adolescent Girls and Young Women, changes to the GC7 processes including updated technical briefs and rapid assessment guidance and tools, the introduction of a portfolio-wide Gender Equality Marker and human rights program essentials, and the development of human rights and gender equality risk assessment guidance. Co-ordinated human rights crises response has been undertaken together with partners, and a security toolkit for program implementers has been developed. Minimum expectations for community engagement throughout the grant lifecycle are in place. In partnership with the Thomson Reuters Foundation, young leaders' ability to engage in removing barriers is being enhanced. New corporate KPIs are in place to monitor progress.
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Planned response	<p>The planned response to human rights risk drivers includes strengthening capacity to respond to human rights barriers and to manage risk. Programs are being scaled up in 24 Breaking Down Barriers (BDB) countries, with the Human Rights SI supporting quality and knowledge sharing. Assessments are informing impactful grants in all BDB countries. To counteract the global pushback on human rights, Global Fund guidance on managing grants in human rights crises will be updated, safety and security of implementers and clients will be supported further, and partnerships strengthened. KPI E1 annual country-led assessments will provide data for program scale up and risk mitigation.</p> <p>A new Gender Equality Team is being established in CRG to drive the meaningful mainstreaming of gender across Global Fund programming, structures and processes. This includes the roll-out of gender mainstreaming capacity-strengthening program and a systematic review and action plan relating to gender integration in Global Fund structures and processes. To help tackle the contextual drivers of gender risk, a new Gender Equality Fund will help address the root causes of gender inequality and counter the gender backlash.</p>
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Risk mitigation is on track. There are no material delays.

Outlook

The Global Fund's efforts to address human rights barriers and tackle gender inequality continue to be scaled up in size, scope and ambition. However, with a rising global anti-human rights movement and severe gender inequality context, the outlook remains challenging and the direction of travel continues to increase.

Transition

Residual Risk	High
Change since last quarter	Changed –Direction of Travel
Global Fund ability to mitigate	Minor
Risk direction of travel	Increasing ▲

Definition	<p>The risk involves countries struggling to sustain and scale their national disease responses when transitioning to full domestic financing and program implementation. Unsuccessful transition may lead to service disruptions, particularly for key and vulnerable populations (KVP), challenges in scaling service provision, reduced quality of services, and limited capacity of national civil society and community organizations to maintain programs without external funding. Consequently, the three diseases could persist as public health threats in countries that are no longer eligible for the Global Fund support, potentially undermining past gains achieved through the Global Fund and national efforts.</p>
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Potential key drivers	<p>The risk drivers for the transition to domestic financing of national disease responses include ongoing epidemiological challenges and programmatic gaps, especially among key and vulnerable populations, and the inability to finance these interventions sustainably. In some countries, there can be limited country ownership and advanced planning for the transition process, coupled with low prioritization of health or misalignment between disease responses and Universal Health Care financing reforms. Medium to long-term macroeconomic and fiscal constraints also pose a threat to the sustainability of domestic health financing, including in some transition contexts. Additionally, national stakeholders may lack the capacity or political will to address underlying economic, political, legal, and social issues and may not have adequately initiated dialogue to tackle sustainability and transition challenges. Furthermore, there remain uncertainties in transition timelines, which may make it challenging to fully integrate externally financed interventions – including critical ones like health products / commodities and KVP services – to domestic financing. Additionally, prevailing trends on the sustainability / transition approaches of international donors may complicate transition processes given potential decreases in other sources of external financing (beyond the Global Fund).</p>
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Current response	<p>The response to transition challenges includes implementing the Sustainability, Transition, and Co-Financing (STC) policy, negotiating and supporting realization of co-financing commitments, providing transition grants (including flexibility in transition grant-timelines as needed), developing and using guidance to support transition planning and processes, supporting transition planning, providing technical assistance for specific transition challenges (including public financial management, integration of disease priorities into health insurance schemes, efforts to strengthen social contracting, etc.), and exploring innovative financing opportunities to strengthen resourcing of HTM / RSSH priorities. In addition, the Global Fund has approved exceptional allocations of transition funding for GC7 (via DP GF/B47/DP04) for six components that received transition funding in GC6 to respond to disruptions due to COVID-19. The Global Fund Secretariat has also heightened its focus on health financing, following the establishment of the Health Finance Department. The increased health financing focus is reinforced by a stronger focus on sustainability overall across Secretariat departments and technical teams in GC7.</p>
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Planned response	<p>The planned response to transition risk drivers includes the ongoing implementation of transition grants in GC7, continued focus on transition and sustainability planning, continued negotiation of co-financing commitments and monitoring during grant implementation, the continued focus on transition / sustainability considerations in access to funding processes, continued implementation of the STC policy and systematic review of STC considerations in GC7 grants, continued consideration of sustainability / transition issues by the TRP in their review of GC7 grants, and the implementation of the Health Financing Strategic Initiative for GC7, which has limited funding for thematic areas linked to transition.</p>
	Risk mitigation is on track. There are no material delays.

The outlook for transition risk is challenging, including given continued broad macro-economic challenges, ongoing epidemiological challenges in transition contexts, uncertainties in transition timelines for external financing, and more limited technical assistance available in GC7 to support transition challenges. However, the Global Fund is making significant efforts to support transition contexts through its current approaches transition grants, co-financing efforts, continued transition planning, available technical support, and targeted initiatives to ease the shift to domestic financing and management of the national responses.

Drug & Insecticide Resistance

Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk direction of travel	Increasing ▲

Definition	<p>Increased resistance to drugs and insecticides used in treating the three diseases poses a significant risk, potentially leading to higher morbidity and mortality rates. Factors like inconsistent treatment, low-quality pharmaceuticals, and supply interruptions contribute to drug resistance, which can result in treatment failures, heightened disease burden, and higher mortality. Similarly, insecticide resistance in mosquitoes, primarily for insecticide-treated nets (ITNs) and indoor residual spraying (IRS) used for malaria control, compromises the effectiveness of these critical vector control tools. Insecticides resistance not only impacts the ability to reduce malaria cases and deaths but also negatively affects the effectiveness and investments of the Global Fund in malaria control and elimination efforts.</p>
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Potential key drivers	<p>Risk drivers for HIV include treatment interruptions due to patient experience (cost, access, side-effects), program challenges (unstable ARV supply, inadequate patient support, insufficiently trained providers), and policy factors (outdated guidelines, user fees). In TB, risks stem from limited access to rapid molecular testing for drug resistance, inappropriate treatment regimens, and poor patient management. High-risk groups like prisoners and urban slum dwellers often receive inadequate support. For malaria, drug resistance is driven by challenges in case management, reliance on small number of most affordable drugs, and parasite factors. The widespread use of the same insecticides in agriculture and public health, along with inadequate resistance monitoring and surveillance, and lack of clear frameworks for monitoring, also contribute to the issue.</p>
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Current response	<p>For HIV, the response includes supporting the Global Action Plan on drug resistance to HIV, viral hepatitis and STIs, and participating in global drug resistance monitoring efforts led by WHO. At the country level, support is focused on transitioning to optimized HIV treatment regimens, improving ART adherence and viral load testing, developing national action plans for HIV drug resistance, and supporting HIV drug resistance surveillance. For malaria, there's support for therapeutic efficacy studies, ACT diversification strategies in SSA, market shaping interventions to expand access to alternative antimalarials to support diversification and funding for the Greater Mekong Sub-region to combat artemisinin resistance. Insecticide choice is guided by the WHO GMP Threats Map. Market interventions aim to increase the supply and affordability of effective ITNs, while entomological surveillance and resistance monitoring are being strengthened in Global Fund grants. For TB, support includes adhering to WHO guidelines on treating Drug Resistant TB, accelerating access to rapid molecular testing to detect drug resistance and resistance to first- and second-line drugs and improving patient management including monitoring for adverse drug events that affects treatment adherence.</p>
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Planned response	<p>The planned response to insecticide and drug resistance involves collaboration between the Global Fund and partners to develop a robust market for vector control tools, ensuring capacity and affordability. This includes catalytic funding initiatives like the NextGen SO SI and Net Transition Initiative SI. Efforts will support the implementation of the 2022 WHO Malaria Drug Resistance strategy, which includes strengthening surveillance of antimalarial drug efficacy and resistance, ensuring quality-assured malaria diagnosis, accelerating implementation of mitigation approaches such as ACT diversification, and contributing to the development of better mitigation tools. For TB, the response includes providing technical support for Drug-Resistant TB through mechanisms like the Green Light Committee, supporting the scale-up of new diagnostics for rapid TB/DR-TB detection in the grants, and promoting new all-oral treatment regimens. For HIV, the current responses at both global and country levels will be continued in GC7.</p>
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Risk mitigation is on track. There are no material delays.

Outlook

The outlook on insecticide and drug resistance has progressed but the threat to all 3 diseases continues. GF will vigilantly continue – and look for opportunities to expand or intensify - the current responses focusing on strengthening markets for control tools, enhancing surveillance, diagnosis, and treatment methods, and leveraging global partnerships and innovative funding for effective long-term management.

Ethical Misconduct and SEAH

Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk direction of travel	Steady ▶

Definition	<p>Ethical Misconduct: The risk of ethical misconduct among implementers, suppliers, and partners involves skewed decision-making and abusive behavior that contravenes the Global Fund's values and codes of conduct. This can lead to poorly designed investments, unreliable data, fraud, financial loss, and reputational damage, undermining the organization's strategic objectives.</p> <p>SEAH Risk: There's a risk of failing to prevent, detect, and respond to sexual exploitation, abuse, and harassment (SEAH), including failure to provide services safely, failure to raise PSEAH awareness, lacking safe reporting channels, not providing victim/survivor-centered support, and not upholding the Global Fund's reputation. This failure risks harm or re-traumatization of victims, reduced access to services for vulnerable populations, diminished workforce capacity, and damage to the Global Fund's reputation and donor relationships.</p>
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Potential key drivers	<p>Ethical Misconduct: The risk drivers include a tone from the top, institutional incentives, and culture that are misaligned with corporate values and codes of conduct. Conflicts of interest within the Global Fund environment are not properly disclosed or managed. There's also a lack of adequate accountability among those responsible for managing ethics risks. Ineffective and inefficient business processes create perverse incentives and reduce transparency and accountability.</p> <p>SEAH Risk: There is insufficient capacity to prevent, detect, or respond to sexual exploitation, abuse, harassment, or child abuse, further exacerbating these risks.</p>
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Current response	<p>The Global Fund's response to ethical misconduct and SEAH risks includes a comprehensive set of policies, procedures, and training programs, such as the Ethics and Integrity Framework, Codes of Conduct, and Fraud & Corruption Policy. Regular training on conflict of interest is provided to governance bodies and senior management. An Integrated Risk Management System addresses fraud and corruption root causes, and a robust grant oversight model is in place. The Fund conducts systematic due diligence and has established a Prevention of Sexual Exploitation, Abuse, and Harassment (PSEAH) framework. Updated Codes of Conduct and a PSEAH Steering Committee ensure compliance and monitoring, with strong reporting channels emphasized for all stakeholders.</p>
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Planned response	<p>Ethical Misconduct: The Global Fund's planned response to risk drivers includes defining maturity levels for fraud risk management, enhancing programmatic assurance, and establishing enterprise-level fraud risk monitoring. This is in partnership with various departments, including the Ethics Office and HR. With the closure of OIG AMA2, the Secretariat has clarified accountabilities for managing Ethics and Integrity risks with the purpose of integrating these into existing mechanisms. A review of misconduct investigation mandates has been completed, with proposals for decision-making by relevant Committees or the Board being currently reviewed. The frequency of training and engagement on conflict-of-interest management and duty of care will increase in 2024. The Integrity Due Diligence framework which applies a risk-based approach to all implementers has been completed with the closure of OIG AMA6 and the related guidelines enabling rollout are being finalized. Standard training and communication on the Global Fund's values and codes of conduct will be developed and implemented across the Secretariat as part of a holistic training and awareness raising program for 2024.</p> <p>SEAH Risk: The rollout of SEAH Risk Management activities to countries is risk-based and impact-driven. PSEAH capacity assessments and capacity-building plans are first being finalized for PRs in the 12 highest SEAH-risk/impact countries, with others to follow. This includes the development of a plan to strengthen local</p>
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	<p>SEAH reporting channels and providing in-country partners with practical guidance and tools for building PSEAH capacity and supporting beneficiary-facing awareness campaigns in three pilot countries. An updated methodology for grant-level SEAH risk mitigation will also be developed.</p>
	<p>Risk mitigation is progressing but there are also some material delays. The material delays refer only to those specific action items that are underway and not necessarily to the overall status of the ethics and integrity risks.</p>
<p>Outlook</p>	<p>The Global Fund's management of ethics risk is evolving with a strategic focus on enhancing risk practices, including fraud risk assessment, clear accountability, and increased training on ethical standards. Implementing the Integrity Due Diligence framework for implementers and focusing on SEAH risk mitigation reflects a commitment to robust ethical governance. However, the inherent risk driving Ethical Misconduct and SEAH remains elevated in the current environment of macro-economic stress, political and security threats, and shrinking space for community voices and the growing concern over human rights risks across several countries. The risk remains high and the direction of travel remains steady with a slight escalation observed. The ongoing mitigating actions will strengthen organizational ability to manage the risks in near to medium term.</p>

Future Funding (Donor Funding & Domestic HF)

Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk direction of travel	Increasing ▲

Definition	<p>Donor Funding: The risk involves the potential failure to convert current and previous Replenishment pledges due to loss of donor support, reputational damage, external factors, or an inability to prepare for the next Replenishment.</p> <p>Domestic Health Financing: There's a risk of not mobilizing adequate domestic funding or effectively using existing resources to combat HIV, tuberculosis, and malaria, as well as to build resilient health systems. This is compounded by the challenge of securing funding for country allocations and catalytic initiatives, which is crucial for sustaining Global Fund-supported programs and maintaining health outcomes, especially for key and vulnerable populations.</p>
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Potential key drivers	<p>Donor Funding: Risk drivers include perceived underperformance and misunderstandings of the Global Fund model, insufficient resources for external communication leading to reduced engagement and visibility, and global focus shifts to other issues like pandemic preparedness and climate change. Meeting donor expectations amid fiscal pressures, competing resources, and negative shifts in donor sentiment due to political changes or disease fatigue. Inadequate communication of intervention impacts, declining health advocacy support, low health sector prioritization, and government fiscal challenges further drive risks.</p> <p>Domestic Health Financing: Additionally, ongoing issues in tracking co-financing, fragmented health financing, and difficulties in domestic funding for critical health commodities and interventions for key populations.</p>
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Current response	<p>Donor Funding: The Global Fund's response to risk drivers includes monitoring political transitions, ensuring donor support, and conducting regular resource mobilization reviews. Active positioning in pandemic preparedness and global health discussions, monitoring of budget processes, and mobilizing advocacy for pledge conversion. Enhanced communication and coordination with global health initiatives are prioritized. Commitments from donors and partners are actively protected through improved performance and accountability processes.</p> <p>Domestic Health Financing: The Health Financing Risk Management Framework, and innovative financing methods. Technical assistance on health financing is provided through the Strategic Initiative on Sustainability, Transition, and Efficiency (STE-SI), and engagement with partners (including through the Sustainable Financing for Health Accelerator) is used to boost domestic resource mobilization and efficiency.</p>
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Planned response	<p>Donor Funding: Exploring arrangements for new donors to participate in governance processes and evolving the Global Fund's global positioning in multi-stakeholder platforms, particularly regarding the evolving global health architecture. The advocacy approach will be strengthened for the Eighth Replenishment, with a refreshed core narrative to align with shifting donor priorities.</p> <p>Domestic Health Financing: Several measures are being introduced to address co-financing challenges, including mandatory commitment letters and enhanced processes for monitoring co-financing during the grant lifecycle along with updated operational processes for co-financing and revised guidelines to ensure accountability. Mitigation actions for at-risk countries will be incorporated into grants, with monitoring of macro-fiscal risks to inform allocations and compliance. The Secretariat will continue to strengthen its blended finance and Debt2Health efforts, including leveraging the Health Finance Strategic Initiative to scope potential blended finance transactions and leveraging the recent Board approval of the Updated Blended Finance Approach. Risk monitoring will assess countries' capacity to finance health, using indicators like economic growth and health expenditure trajectory. A multi-pronged approach to Domestic Financing Advocacy will be implemented at global, regional, and country levels.</p>
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Risk mitigation is on track. There are no material delays.

Outlook

Future Funding risk remains 'High'. While pledge conversion is on track, the Global Fund faces shifting donor priorities, competing challenges, increasing concerns in domestic resource mobilization given fiscal constraints, prioritization issues and global challenges. The pressure on domestic health financing is set to grow, impacting program sustainability, which in turn continues to drive the 'Increasing' direction of travel. Recognizing the fundamental differences between donor funding and domestic health financing and their distinct impacts at the country level, the Secretariat will focus on separating the two risks in 2024.

Internal Operations

Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Significant
Risk direction of travel	Steady ▶

Definition	<p>Risks to the Global Fund's Secretariat operations include challenges in core functional areas such as Information Technology (IT), indirect procurement, foreign exchange, administration, and financial controlling. These internal operational challenges can significantly threaten the Global Fund's ability to operate effectively and fulfill its mission.</p>
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Potential key drivers	<p>Risk drivers for the Global Fund's Secretariat operations can be segmented into three main categories: Finance & Administration (F&A), IT, and indirect procurement.</p> <p>F&A: Includes potential underspend in operational expenditures, and issues with grant closure reconciliation. Misalignments between operational expenditures and the organization's ambitions, strategic workforce planning challenges affecting HR investment value, and tensions in expenditure utilization amid inflation and low utilization of C19RM. Additional drivers include low utilization of Global Health Campus facilities, suboptimal management of foreign exchange, asset and liabilities management changes, market disruptions, and foreign exchange market volatility.</p> <p>IT: Is characterized by system performance failures in IT. The risk of external hacks, inadequate cybersecurity training, use of non-secure IT solutions, and vendor management challenges. Cybersecurity incidents and the potential loss of sensitive data underscore the importance of information security. Project management challenges, including scope control, cost overruns, and timeline delays.</p> <p>Indirect procurement: Risks arising from procurements that are inconsistent with the Procurement Policy and thus fail to protect the organizations commercial interests and operations.</p>
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Current response	<p>The Global Fund's current response to risk drivers includes:</p> <p>F&A: Visibility on workforce planning is provided to the AFC and is completed with a budgeting framework that aligns Secretariat operational expenditures with the Global Fund's ambitions. C19RM absorption is monitored quarterly. Foreign exchange risks are managed through conservative limits, systematic hedging strategies, and automated monitoring tools, covering foreign exchange exposures as well as counterparty risks. Regular physical inventory checks, and robust security frameworks, including crisis management, business continuity management and travel policies, are maintained.</p> <p>IT: An effective project management framework is reinforced in IT governance. Vendor management offices ensure project alignment with strategies, and an Information Security Management System is embedded organization wide. Continuous monitoring of cyber threats is performed and Multi-Factor Authentication (MFA) is implemented for increased security, and all key applications are migrated to cloud-based services.</p> <p>Indirect procurement: A robust Procurement Framework for oversight and accountability, efficient procurement planning, and strong compliance systems supported by legal and ethics committees. Business Continuity Plans (BCPs) are developed to ensure uninterrupted supply operations. Comprehensive supplier management systems, regular grant re-forecasting, and meticulous grant closure monitoring are in place.</p>
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Planned response	<p>Includes implementing a Zero Trust security approach, enhancing confidentiality with secure case management tools, and increased cyber risk management in the supply chain. The Crisis/Business Continuity Management team is being strengthened with training workshops and improved plan operationalization. Travel management strategies are being optimized for cost efficiency and security, and negotiations are underway to maximize the use of Global Health Campus facilities. Financially, the multi-currency disbursement project is being expanded to enhance efficiency in fund management.</p> <p style="background-color: #90ee90;">Risk mitigation is on track. There are no material delays.</p>
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Outlook

With the planned response, the Global Fund's internal operations is considered at moderate risk level and the direction of travel for the risk remains stable.

Integrated Grant Policies, Processes, Systems & Data

Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Significant
Risk direction of travel	Steady ▶
Definition	The risk involves sub-optimal integration and inadequate change management in rolling out policies, procedures, systems, and data flows critical for managing grants throughout their life cycle. This leads to weaknesses in grant and risk management, inefficiencies, high transaction costs, and compromised internal controls.
Potential key drivers	Risk drivers include a lack of standards and guidance on data management and limited data availability, hindering efficient grant life cycle (GLC) operations. Suboptimal assessment of the operational feasibility of Board-approved policies results in their inadequate integration into the GLC. External disruptions divert resources, affecting the rollout of GLC changes and change management for the Secretariat and implementers. There is limited internal capacity for comprehensive change management and capacity building among implementers, CCMs, and LFAs. Monitoring of GLC processes is insufficient, delaying bottleneck identification. The impact of GLC changes on in-country partners and their workload is not adequately considered, with limited PR capacity to adapt to these changes. Integration between cross-cutting GLC policies, procedures, systems, and core processes is suboptimal. Furthermore, there is a lack of tools to build PR capacity in areas such as GLC management and functional capacity development.
Current response	Includes integrating and automating the majority of GLC processes, from funding request to grant closure, in the Grant Operating System (GOS). Regular GLC monitoring and exception reporting are in place to assess performance. A suite of GLC process trainings has been developed and is regularly updated. Changes to GLC processes are communicated internally and externally, with support provided to Country Teams (CTs), CCMs, and PRs. A Data Governance Committee reviews and implements data management improvements. Business Contingency Plans cover GLC operations, and the Operational Efficiency (OE) team manages interdependencies across GLC components. A comprehensive suite of reports and monitoring tools has been developed for performance oversight, ensuring effective process management. The Operational Launch initiative enhances policy, procedure, system, and data maintenance. Additionally, COVID-19 Response Mechanism (C19RM) guidelines and processes are periodically updated based on lessons learned and identified process improvement opportunities.
Planned response	The planned response to risk drivers includes the implementation of a Data Governance Program. Key initiatives for 2023 involve the Implementation Oversight launch and the development of the COVID-19 Response Mechanism (C19RM) extension, scheduled for completion in the second and fourth quarters of 2023 and 2024, respectively. The regular Revisions Launch has been rescheduled to 2024. The design and rollout of revised processes are being carefully planned to consider the impact on Country Teams (CTs), Principal Recipients (PRs), Local Fund Agents (LFAs), and Country Coordinating Mechanisms (CCMs), accompanied by a comprehensive suite of materials to support these groups according to standard practices. Risk mitigation is on track. There are no material delays.
Outlook	A moderate risk level is expected to be maintained.

Risk Management & Internal Controls

Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Significant
Risk direction of travel	Steady ▶

Definition	The risk involves inadequacies in identifying key risks, evaluating their impact, and prioritizing and monitoring controls and mitigations for both external grant-facing and internal business process and operational risks. Differing perceptions of risks lead to ambiguity in their acceptance and management, and inconsistent responses across defense lines. These deficiencies in risk management and internal control gaps could prevent the Global Fund from achieving its objectives.
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Potential key drivers	Risk drivers include the insufficient integration of risk management into operations and decision-making. Key policies, processes, and tools are either absent or not fully operationalized, and there is a lack or sub-optimal use of standardized risk approaches and tools. Inadequate implementation and follow-up of risk mitigations, coupled with insufficient assurances, further exacerbate risks. The rapid change in both external and internal environments necessitates continuous evolution of risk management tools and processes, as well as adaptation in second-line oversight. Additionally, weaknesses in the control environment, particularly in country portfolios and grants, stem from inadequate standards, processes, and structures essential for establishing robust internal controls.
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Current response	The Global Fund continues to operationalize and systematically endeavor to improve and strengthen operationalization of Enterprise Risk Management Framework to enhance oversight efficiency and manage country or grant facing risks, operational and business process risk along the three lines of defense. The approach is underpinned by a comprehensive set of processes, systems, tools and documentation, which are periodically reviewed and updated with the last update made in 2023. Internal tools like IRM 2.0 streamline risk management, with organizational reviews focusing on strategic alignment. Second-line risk management clarifies roles and improves policy coordination. Country portfolio reviews guide decision-making, while a robust Risk Assurance Monitoring and Oversight framework allows to oversee the COVID-19 response. Business process oversight, internal control reviews, and a performance & accountability framework drive accountability and process efficiency across the Secretariat. Thematic and enterprise level deep dives inform strategic discussions to ensure effective risk identification and monitoring.
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Planned response	<p>The Secretariat continues to focus on strengthening and adapting its risk management to the continuously evolving risk landscape. As the risk management function continues to mature, there is opportunity and need to enhance its focus to improve consistency and quality of risk assessment and mitigation plans, strengthen oversight of implementation of prioritized key mitigating actions and assurance activities, and strengthen analytical capacity and use of data to better inform early identification of the changes in the risk landscape. Attention to thematic and enterprise risk deep dives are being reinforced to improve management and governance oversight. These initiatives will be complimented by promoting a risk aware culture through trainings and information sessions for shared understanding between in-country implementers (front line), country teams and second line functions.</p> <p style="background-color: #90ee90;">Risk mitigation is on track. There are no material delays.</p>
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Outlook	Risk management policies, procedures, systems and tools have been updated to align with the strategy ambition and to respond to the volatile risk environment. With the planned actions, the Global Fund's Risk Management and internal controls is considered at moderate risk level and the direction of travel for the risk remains stable.
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Legal

Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk direction of travel	Steady ▶

Definition	<p>The Global Fund faces several legal risks, including contract risk, which involves exposure to counterparty risk, legal obligations, and potential inconsistencies with policies. External legal risks stem from compliance with local laws and regulatory processes, possibly leading to inquiries or enforcement actions. Privileges and Immunities (P&I) risk relates to the absence of legal protections in countries where the Fund operates, impacting resource mobilization and asset protection. Internal legal risks involve failures to observe internal policies, leading to governance and control weaknesses, unauthorized decision-making, and inefficiencies. These risks collectively threaten the Fund's ability to manage contracts effectively, comply with external legal requirements, protect resources, and evolve business practices.</p>
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Potential key drivers	<p>The Global Fund faces several legal risks. Contract risk includes inconsistent use of terms, leading to unintended obligations, increased compliance costs, and challenges in negotiations, especially with pharmaceutical companies. Geopolitical and supply chain issues also impact procurement. External legal risks involve potential law violations, investigations, and increased focus on sanctions compliance. Privileges and Immunities (P&I) risks affect the Fund's ability to protect resources and staff, with security and teleworking arrangements impacted by the absence of P&Is in certain donor countries. Internal legal risks are driven by decentralized policy management and lack of a formal compliance structure.</p>
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Current response	<p>The Global Fund's response to contract risk involves prioritizing strategic grant procurement and contribution agreements. Standard terms and templates have been developed for grants, procurement, and contributions, with revised procurement terms and conditions, and updated Grant Regulations and operational policies. Delegations of Signature Authority require clearances from various departments, including legal, finance, business teams and risk management. For P&I, standard contracts address P&Is and dispute resolution, with oversight from the EGC and prioritized country engagement. Internal legal risks are managed through Legal Department (LGD) guidance and collaboration, facilitating Board and Committee approvals and legal reviews of policies, procedures, and reporting requests. Legal Counsels embedded in Country Teams (CTs) advise on grant requirements and mitigate risks associated with COVID-19 Response Mechanism (C19RM) implementation. External legal risks are addressed through engagements on legal status, assertion of P&Is, advice from local counsel, limitations of liability in contracts, updated arbitration guidance, streamlined external legal adviser engagement, sanctions monitoring, and privacy clauses in agreements.</p>
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Planned response	<p>The planned response to risk drivers includes the reactivated Privileges and Immunities Advisory Group, to address P&I risk. This involves enhanced engagement with foreign affairs ministries and linking programmatic changes to the conferral of P&Is, along with other targeted efforts to expand geographical coverage. For internal legal risk, a Procurement Manual is being developed to encompass rules and procedures for direct procurement. [</p>
	Risk mitigation is on track. There are no material delays.

Outlook	A moderate risk level is expected to be maintained.
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Governance & Oversight

Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Significant
Risk direction of travel	Steady ▶

Definition	<p>Definition: The risk involves Global Fund governance structures, processes, culture, stakeholders, and support mechanisms, failing as needed to serve as an effective partnership enabler for the new Strategy period. Impact: This ineffectiveness could impact quality, timeliness, and adequacy of Governing Body decision-making, oversight, and advice, hindering the implementation of the Global Fund's mission and adaptations needed to meet strategic goals for 2023-2028. Actual or perceived governance weaknesses could lead to sub-optimal resource mobilization outcomes and increased need for financial resources.</p>
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Potential key drivers	<p>Include (i) structural issues like short tenure and high turnover of Board Members/Alternates, a large governance mechanism, and complex and labor intensive processes, and a structure that have remained largely unchanged since inception; (ii) Diverse stakeholder interests and existing conflicts of interest sometimes leading to lack of consensus; (iii) Variations in the nature, setup, and resources of constituencies with implications for their functioning/participation, and differing capacity to engage impacting informed decision-making and oversight; (iv) lack of trust leading to a culture of over-consultation, high-level of effort, and sub-optimal collaboration and division of labor among governing bodies, and between governing bodies and the Secretariat; (v) limited oversight and enforcement capacity regarding internal constituency matters and use of constituency funding, and (iv) Complex governance processes lacking agility needed to respond effectively to emergencies or temporary crises.</p>
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Current response	<p>Key mitigating actions to respond to risk drivers include, whilst are not limited to, (i) structural issues – Additional Public Donors Constituency allows routes for additional donors, Donor Group Framework for allocation of seats, Board Leadership support to resource mobilization efforts, 3-year Board Leadership and Committee terms, and refreshed onboarding framework in routine implementation; (ii) diverse stakeholder interests – strengthened role of the CG facilitating coordination between the Board and committees on cross-cutting issues, effective reporting efforts, continued focus on governance culture initiative and related elements; (iii) diverse nature of constituencies – provision of best-practice guidance on constituency management and funding provided to implementer constituencies to support engagement; (iv) lack of trust – codes of conduct and certification, declarations of interest for governance officials, roll-out of Integrity Due Diligence Framework and strategically focused Board documents for decision making; (v) limited oversight and enforcement capacity regarding internal constituency matters – support to constituencies on routine review and continuous improvement of internal practices and independent LFA verification constituency funding use; and (vi) complex governance processes – expedited decision-making for urgent decisions to safeguard the Global Fund Mission. Refer to the ORR – Governance Risk for full account of current mitigation actions and controls.</p>
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Planned response	<p>The planned response to risk drivers involves renewed EGC focus and ongoing efforts on improving, streamlining, and simplifying reporting to governance bodies for the current Strategy period, including via (i) alternative information-sharing methods (e.g., Financial Dashboards), and (ii) leveraging Monitoring & Evaluation and Key Performance Indicator Frameworks, risk reporting, and other channels. The EGC-led culture initiative aims to strengthen trust, collaboration, and accountability within and between governance and administrative bodies. The initiative is complemented by embedding onboarding for the CG and Leadership and regular strategic engagements/retreats between the CG and Management with a focus on strengthening a culture of trust. A new Virtual Governance Platform will be rolled out to enhance constituency engagement in governance activities, making participation more efficient and streamlined.</p> <p style="background-color: #c6e0b4;">Risk mitigation is on track. There are no material delays.</p>
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A moderate risk level is expected to be maintained.

Organizational Culture

Residual Risk	Moderate
Change since last quarter	No change
Global Fund ability to mitigate	Significant
Risk direction of travel	Steady ▶

Definition	<p>The risk involves the failure to foster a performance-based and ethical culture of care and candor among staff, crucial for upholding the Global Fund's corporate values and protecting its reputation. This could lead to operational inefficiencies, diminished workforce capacity and effectiveness, reputational harm, and adverse effects on staff well-being.</p>
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Potential key drivers	<p>Potential key drivers include the inconsistent guidance from senior management regarding the organization's desired culture. This inconsistency has the potential to lead to breaches of the code of conduct, unethical behavior, and conflicts of interest. Another possible driver is the variability in people management capabilities, which could result in uneven performance expectations, challenges in managing poor performance, and limited opportunities for staff development. Additionally, operational inefficiencies may arise from unclear processes, the absence of performance targets, and insufficient accountability, potentially hindering work prioritization, collaboration, and leading to an increased staff workload.</p> <p>The lack of an effective rewards philosophy may be a potential driver, affecting our ability to attract, retain, and motivate talent, which is crucial for aligning organizational needs with capacity. Potential inconsistencies and complexities in communication, coupled with limited policy awareness, might contribute to perceptions of unfairness in rewards and recognition. Furthermore, a hierarchical culture and the presence of organizational silos could potentially impede collaboration and erode trust within the organization, presenting further challenges to maintaining a healthy and productive work environment.</p>
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Current response	<p>The organization has actively responded to the identified risk drivers with several strategic initiatives. An Ethics and Integrity framework has been put in place, alongside an updated Ethics Policy and a Code of Conduct, all of which are bolstered by ethics case management processes, comprehensive policy communication, awareness efforts, and targeted training programs. The Ethics Office at the Secretariat plays a pivotal role, offering specialized ethics training, conducting regular onboarding sessions for new employees, and organizing ethics briefings for new managers.</p> <p>In parallel, the People & Organization Ambition has been developed, widely socialized, and is supported by a governance structure for Organizational Culture, which has received the endorsement of the Management Executive Committee (MEC). This ambition is centered around key pillars such as wellbeing, talent management, diversity, equity, and inclusion, demonstrating a commitment to fostering a positive and inclusive workplace culture.</p> <p>Staff wellness is prioritized through a wellness strategy, targeted interventions, pulse check surveys, adjusted leave policies, and support services from an ombudsman, staff counselor, and occupational health advisor. Leadership capabilities are being enhanced through manager and employee development programs, which are aligned with the new organizational strategy and People and Organization Ambition. These initiatives aim to foster accountability, performance, and a culture of care and candor.</p>
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Planned response	<p>Continue the development and embedding of Organizational and Divisional / Departmental / Team improvements and action plans based on the Engagement survey result.</p> <p>Design and launch engagement survey to gauge status of organization culture and inform the refining of a comprehensive culture of care and candor plan.</p> <p style="background-color: #90ee90;">Risk mitigation is on track. There are no material delays.</p>
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A moderate risk level is expected to be maintained.

Workforce Capacity, Efficiency & Wellbeing

Residual Risk	High
Change since last quarter	Changed –Direction of Travel
Global Fund ability to mitigate	Significant
Risk direction of travel	Increasing ↑

Definition	The risk involves a misalignment between resource availability and organizational needs due to inadequate work planning, lack of resource prioritization, overcommitment at divisional levels, and inefficient business processes, often exacerbated by supervisory weaknesses. This misalignment creates conflicting priorities and workload pressures, negatively impacting staff health and wellbeing. Consequently, the organization faces challenges in delivering its objectives, with some employees overstretched, affecting both their personal wellbeing and that of their team members who must compensate for the additional workload.
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Potential key drivers	Risk drivers include insufficient and ineffective prioritization and reprioritization of organizational activities, leading to unsustainable workloads exacerbated by budget constraints. Inadequate people management capabilities hinder performance and talent development, while inefficient business processes reduce productivity. The organization is facing significant changes and shifting priorities, contributing to change fatigue and a decline in staff motivation and engagement. There's an increased risk of staff burnout due to high workloads and productivity losses, fueled by COVID-19 impacts and societal challenges like inflation and conflicts. These organizational changes necessitate enhanced capacity to manage expanded responsibilities, initially taken on during the COVID-19 pandemic. Attracting and retaining top talent is increasingly challenging in a competitive market, with the need to maintain competitive rewards while dealing with low overall attrition.
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Current response	The response to risk drivers includes quarterly performance reporting using a business process model for better decision-making, and the implementation of the Future of Work project to support hybrid working and related policies. Integrated organizational and workforce planning aligns priorities with workforce needs, supplemented by effective change management through development programs and transparent communication. Enhanced leadership capabilities are developed through targeted training, supported by new performance cycles and recognition frameworks. The People and Organization Ambition initiative focuses on developing a caring and candid culture, effective talent management, increased leadership, and continuous HR service improvement.
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Planned response	The planned response to risk drivers involves implementing the priorities of the People and Organization Ambition, focusing on organizational development, fostering a culture of care and candor, sourcing and retaining the right talent, enhancing leadership and accountability, and continually improving HR delivery. Additionally, a health and wellbeing risk assessment is being conducted, followed by the development of an action plan to address identified issues. This plan will be formulated in partnership with the Chief of Staff and Risk, ensuring a comprehensive approach to addressing these challenges. Also, an HR Optimization project is being launched as part of the elevated HR delivery focus area of the P&O ambition which will include refining and elevating the workforce data, simplifying HR process, policies, and systems
	Risk mitigation is on track with increased focus on HR Optimization. There are no material delays.

Outlook	<p>Change since last quarter: In 2023, the Global Fund faced the challenge of managing numerous competing priorities, including grant implementation, grant making, and the extension of the COVID-19 Response Mechanism (C19RM), which has significantly strained Secretariat staff. This intense pressure has adversely affected health, wellbeing, and staff motivation, indicating an <u>increasing direction of travel</u>.</p> <p>Outlook: As the organization moves towards implementing a more ambitious strategy, it confronts the reality of flat operational expenditures and the upcoming end of the additional technical and operational capacity provided by the C19RM in December 2025. Consequently, heightened prioritization and strategic workforce planning become critical for managing the expected increased demands and complexities in 2025 and beyond.</p>
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Reputation

Residual Risk	High
Change since last quarter	No change
Global Fund ability to mitigate	Moderate
Risk direction of travel	Steady ▶

Definition	The risk involves unexpected issues arising from control weaknesses, performance issues, poor governance, oversight failures, or misreporting by media, beyond the Global Fund's control. Such incidents can damage the organization's reputation, potentially leading to a loss of future donor funding and reduced effectiveness in combating the three diseases.
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Potential key drivers	Risk drivers include political influences on news coverage, leading to factually inaccurate reports that are not promptly addressed, resulting in a disproportionate amount of negative media attention. Misunderstandings by the media about global health and development issues often resulting in reporting errors. Extensive or inaccurate media coverage of Office of the Inspector General (OIG) reports and other documents highlighting misuse of funds or serious issues further exacerbates these risks. Additionally, internal performance issues and control weaknesses within the organization contribute to these media-related risks.
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Current response	The current response to risk drivers includes continuous coordination with external relations teams to align communications with emerging risks and priorities in key markets. The country teams and senior management proactively identify potential issues, supported by the Performance and Accountability Framework which drives process performance and accountability, with regular efficiency and effectiveness monitoring. The Communications Department employs a proactive, agile strategy, building relationships with influential media during stable periods to foster understanding of the Global Fund's role and mission. There's an ongoing effort to enhance organizational risk management, internal controls, governance, and transparency. The Ethics and Integrity Framework, including conflict of interest policies, supports ethical management. Proactive media outreach in key markets aims to build understanding and monitor coverage. A communications strategy targets key donor markets to maintain positive Global Fund positioning. The External Relations and Communications Department (ERCD) Leadership Team and internal groups work together to identify and mitigate risks promptly. Social media is monitored regularly to detect potential issues early for effective management.
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Planned response	The Planned response to risk drivers involves coordinated efforts across departments to align communications with emerging risks, proactive issue identification by management, strategic media engagement to foster accurate coverage, continuous enhancement of organizational risk management and transparency, and diligent monitoring of social media to rapidly address potential concerns.
	Risk mitigation is on track. There are no material delays.

Outlook	A High-risk level is expected to be maintained.
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Annex 2: Key risk management progress and metrics

Risk management tools

The beginning of 2023 was marked with the **successful launch of the updated Integrated Risk Management (IRM) tool**. The tool introduces a simplified user interface that consolidates risk information in a more strategic manner, enhancing the ease with which users can enter data. Additionally, the tool enables **enhanced analytics and reporting** capabilities by integrating data from multiple sources. This integration enables the tool to perform **risk triangulation and automates generation of Country Risk Management Memorandum (CRMMs)²** reports. Furthermore, the tool promotes clarity in accountability and responsibility by **strengthening the involvement of the second line of defense** in reviewing risk information in the IRM tool. These advancements facilitate a more robust and streamlined approach to country risk management.

Country risk management

As part of the Integrated Risk Management (IRM) tool launch, the Country Risk Management Operational Policy Note was refreshed and detailed risk guidance and training material was developed for each of the risks and sub-risks and targeting the first line teams and second line teams. **More than 17 trainings were provided on risk related matters.**

All grants categorized as High Impact and Core have undergone a comprehensive review by the Risk Department at both the funding request and grant-making phases of the grant lifecycle. Furthermore, **in 2022, risk assessments were conducted on portfolios for over 42 High Impact and Core countries as part of the country portfolio reviews and/or CRMMs. Progressing into 2023, reviews were completed for an additional 12 countries.** Notably, there has been a significant improvement in the execution of key mitigating actions aimed at addressing critical risks within these countries throughout 2023. This is evidenced by an increase in the **completion rate of mitigating actions from 26% in the first quarter of 2023 to 50% by the year's end.** Although there remains a need to enhance the monitoring and implementation of these key mitigating actions, the current trend is encouraging.

Business process risk management

The Risk Department monitors implementation of the COSO framework in processes prioritized for risk oversight across the Secretariat through a “Key Business Process Review” (KBPR). KBPRs are fundamental to the assessment of the adequacy of internal controls in mitigating against business process risk. A total of **13 business processes have been reviewed since 2021 (5 in 2021, 4 in 2022, and 4 in 2023).**

² CRMMs are reports that provide a comprehensive view of the country portfolio performance and risk mitigation strategy

Annex 3: Relevant past Board decisions

Relevant Past Decision Point	Summary and Impact
<p>GF/B49/DP04: Amended Risk Appetite Statements (May 2023)</p> <p>https://www.theglobalfund.org/kb/board-decisions/b49/b49-dp04/</p>	<p>Based upon the recommendation of the Audit and Finance Committee, the Board approves the amended Risk Appetite Statements, including risk appetite and timeframes to achieve target risk, as set forth in the table in Annex 1 to GF/B49/04, acknowledging that the target risk level for each risk shall become the revised risk appetite at the target due date, or when earlier achieved.</p>
<p>GF/B50/DP03: Amendments to the Risk Appetite Statements (November 2023)</p> <p>https://www.theglobalfund.org/kb/board-decisions/b50/b50-dp03/</p>	<p>Based upon the recommendation of the Audit and Finance Committee, the Board approves the amended Risk Appetite Statement, including risk appetite and timeframes to achieve target risk, as set forth in the table in Annex 1 to GF/B50/03, acknowledging that the target risk level for each risk shall become the revised risk appetite at the target due date, or when earlier achieved.</p> <p>This decision point and the amended Risk Appetite Statement approved by it shall supplement decision point GF/B49/DP04 (May 2023).</p>

Annex 4: Relevant past documents and reference materials

[Recommendation on Adjustments to Risk Appetite – B49 \(May 2023\)](#)

[Risk Management Report and CRO Annual Opinion \(May 2023\)](#)

[Semi-Annual Risk Management Report \(October 2023\)](#)

[Amendments to risk appetite statements \(October 2023\)](#)

[Risk Management Reference Document \(March 2024\)](#)