

Risk Management Report

52nd Board Meeting

GF/B52/03B

20 – 22 November 2024, Lilongwe, Malawi

Board Information

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

EXECUTIVE SUMMARY

BACKGROUND

Externally driven challenges such as widespread conflict, catastrophic environmental events linked to climate change, and an uncertain global economic outlook, continue to impact the Global Fund's risk profile.

The 2023-2028 strategy is ambitious and financial and human resources are constrained or at capacity. Against this backdrop, prioritization, differentiation and streamlining will be essential.

Work has already started to plan for different funding scenarios. Planning for how, and where, the Global Fund invests must obviously be the primary focus, but it must also extend to introspection and a challenge to the organization to reflect on what 'good looks like' in the future.

From a risk management perspective, two approaches are needed. The first is to continue to enhance and streamline the traditional risk management approach, which the Global Fund has established and executed effectively over multiple years. The second is to simultaneously embrace a more disruptive approach that can facilitate innovation, help deliver more with less and, thereby, ensure the hard-fought progress achieved to date is not derailed.

ISSUES THIS PAPER ADDRESSES

Impact of external risks

There is an urgency associated with the external risks facing the organization. The direction of travel of a number of related risks is increasing, as reflected in the Organizational Risk Register (ORR). The risks being impacted concern future resourcing and Secretariat and implementer operations and capacity. In recognition of this urgency and the impact on the organization's risk profile, these risks are a focus of the Report.

Over the next 12 months, the focus must be on mitigating the impact of the external environment on these risks and ensuring the continued implementation of Global Fund supported programs and a successful 8th Replenishment.

Organizational risk profile and risk levels relative to risk appetite

Notably, most grant-facing risks are trending downward or stabilizing, albeit with some delays. By contrast and, as highlighted, non-grant facing risks are trending upwards.

Six out of ten grant-facing risks have now reached target risk levels, including the Program Quality – HIV and Procurement risks, which both met the target risk level of Moderate by June 2024.

Reducing the Program Quality – TB risk to Moderate by mid-2025 is possible but likely to be challenging.

For Program Quality – Malaria the risk is expected to reach Very High with a target of returning to High by the end 2025. The Secretariat will continue to provide updates on progress and will revert in November 2025 on a timeline for reaching Moderate.

As forecasted in the previous Risk Report to the Board and the Committees, the In-country Supply Chain risk remains High and did not meet the target risk level of Moderate by June 2024. The Grant-Related Fraud and Fiduciary risk is reducing, despite high inherent risks, but it also did not meet the

target risk level of Moderate by June 2024. As a result, adjustments to the target risk timeframes for both these risks are being recommended.

2024 risk management priorities

Leading into 2024 a core set of priorities were identified to further enhance the Global Fund's approach to, and the execution of, risk management. These build on enhancements implemented in preceding years and newer initiatives. These priorities encompass promoting a culture of risk awareness, strengthening risk analysis and analytics, and strengthening monitoring and oversight.

These areas of focus will remain priorities moving forward but at the same time further enhancements and adaptations will be made as the Secretariat works to operationalize the Board's decisions in response to different options / strategic levers and funding scenarios. Streamlining is going to be essential, but it must not be at the expense of compromising key controls and the gains made over the past years in maturing the Global Fund's risk management framework and internal control environment.

RISK MANAGEMENT REPORT

BACKGROUND

1. There has been a consistency in the themes running through all Risk Reports over recent years: volatility and uncertainty. Unfortunately, nothing has changed. All of the externally driven challenges that were highlighted in the May 2024 Risk Report remain as applicable as ever. There is widespread conflict, which is devastating communities and has implications for regional stability. Catastrophic environmental events linked to climate change are increasingly commonplace. The global economic outlook, whilst starting to stabilize continues to show slow growth, particularly compared with pre-COVID years. In addition, this persistent volatility and uncertainty in combination with unprecedented levels of Global Fund investments under GC7 and C19RM and a general shift in strategic priorities at the country and global level and the associated complexity, is taking its toll on implementer and Secretariat capacity.
2. This confluence of risks places the Global Fund at a crossroad. The 2023-2028 strategy is ambitious and financial and human resources are constrained or at capacity. Against this backdrop, prioritization, differentiation and streamlining are essential.
3. Work has already started to plan for different funding scenarios. As has been noted in previous reports, we cannot predict the future, but we can plan for it. Planning for how, and where, the Global Fund invests must obviously be the primary focus, but it must also extend to introspection and a challenge to the organization to reflect on what 'good looks like' in the future. From a risk management perspective, two approaches are needed. The first is to continue to enhance and streamline the traditional risk management approach, which the Global Fund has established and executed effectively over multiple years. The second is to simultaneously embrace a more disruptive approach that can facilitate innovation, help deliver more with less and, thereby, ensure the hard-fought progress achieved to date is not de-railed.
4. Whilst the organization and the wider global health community needs to tackle these different challenges head on, it is also important to acknowledge the phenomenal achievements that continue to be made by implementers and the wider partnership through Global Fund investments. In 2023, in countries and regions where the Global Fund invests, 25 million people were on antiretroviral therapy for HIV, 7.1 million people with TB were treated and 227 million mosquito nets were distributed to prevent malaria¹. At the same time, it is also important to acknowledge the work that is still needed, which highlights why the continued investment in tackling HTM and strengthening health systems and pandemic preparedness and response, remains critical.

IMPACT OF EXTERNAL RISKS ON THE ORGANIZATIONAL RISK PROFILE

5. The Board and its Committees in recent months and over the next 12 months will be deliberating on critical strategic issues that will inform the Global Fund's ambition, scope, and priorities. The Board as part of its deliberations has been steadfast in its position that, despite the many challenges, ensuring sustainable progress against the three diseases must remain the organization's core objective, whilst also recognizing the many interdependencies with other critical areas including pandemic preparedness and response and climate change. Decisions must be avoided which could have material unintended consequences for Global Fund supported programs.

¹ <https://www.theglobalfund.org/en/results/>

As the Board and its Committees tackle these issues, the Secretariat continues to focus on actively managing grants and working with implementers to identify and mitigate risks to implementation.

6. There is an urgency associated with the external risks facing the organization. The direction of travel of a number of related risks is increasing, as reflected in the Organizational Risk Register (ORR). In recognition of this urgency and the impact on the organization's risk profile, this section of the Report focuses on these risks, with two sub-sections to reflect the distinct but inter-related areas of focus of the Board and its Committees, and the Secretariat. The first sub-section expands on the impact of external risks facing the organization in relation to future resourcing. The second section looks at the impact of these external risks to Secretariat and implementer operations and capacity.

Impact on future resourcing

Future Funding risk

7. The Global Fund and the wider partnership acknowledge the extensive support and commitment that Global Fund programs have received over the years. However, there is a notable shift in global priorities. Security and climate change are taking pole position at the same time as other priorities gain traction with the electorates of many countries. This is making it more difficult for organizations in the global health and other sectors to maintain funding levels at the same time as the need continues to grow.
8. The impact of this shift, even if marginal, is likely to have significant implications for Global Fund supported programs, not least those which are already off track to achieve SDG targets. There have been positive deliberations and commitments of support from various stakeholders during the July Board retreat. Nonetheless, the Global Fund and the wider partnership must continue to plan for various funding scenarios that reflect strains on both external donor funding and domestic health financing and leverage technical and operational levers in looking to mitigate the risk.

Domestic Health Financing risk

9. Post COVID-19 the global economy has struggled to rebound, driven by a number of exacerbating factors. In particular, many implementing countries have found it difficult to reach pre-pandemic levels of growth.
10. Ongoing conflicts in regions across the globe have had far-reaching economic impacts, disrupting supply chains, creating market uncertainty and contributing to financial instability. Food and energy prices have also been impacted, creating global inflationary pressure, devaluing currencies, reducing consumer purchasing power, increasing the cost of borrowing and making it more expensive for governments to service debt and fund public services.
11. As governments grapple with these economic challenges the risk of reduced public spending on health increases. Rising costs and strained budgets mean that resources are being diverted away from health initiatives.
12. Responding to reduced donor and domestic funding will require greater use of different and innovative financial levers to ensure that available funding goes further. Country context will play a big role in the decisions and trade-offs that need to be made, influenced by the maturity of underlying systems, programmatic coverage and the ability to co-finance.

Impact on Secretariat and implementer operations and capacity

Organizational Culture, Workforce Capacity and Processes, Systems and Data risks

13. In recognition of potential future funding challenges, at the request of the Board, the Secretariat has identified several options / strategic levers that could be implemented across different funding

scenarios, with a view to assessing the short- and medium-term implications of each. As the Board starts making decisions on the appropriate way forward, over the next 12 months, the Secretariat needs to be in a position to start operationalizing these decisions at pace and with quality, whilst also ensuring minimal disruption to internal operations and implementation of grants. Inevitably, uncertainty around the future in combination with calls for further harmonization and additional integration, and consecutive years of funding requests, portfolio optimization, grant-making and engagement of new implementing entities under an expanded scope, is taking its toll. The result is that four risks, linked to Secretariat operations, have an increasing direction of travel.

14. In thinking ahead, it is important to acknowledge that for as long as uncertainty persists, reducing the **Organizational Culture and Workforce Capacity, Efficiency and Wellbeing risks** is likely to be challenging and, if anything, the risks are likely to increase before they stabilize. Uncertainty, and the absence of concrete answers around what the future holds, has the potential to undermine confidence and trust in leadership, which impacts culture, whilst persistent anxiety inevitably impacts operational efficiency and effectiveness as well as wellbeing. The Secretariat is acutely aware of this and has been working proactively to address these risks with the resources at its disposal. At the same time, these challenges cannot be a deterrent from pushing forward with the work needed to ensure the organization is ready to evolve as needed. Linked to this, as planning for future scenarios shifts to operationalization, the need to update policies, processes, systems and tools, will inevitably distract from, and potentially disrupt, core service delivery. This is impacting the trajectory of the **Integrated Grant Policies, Processes, Systems and Data risk**.
15. Whilst there is a need for streamlining and simplification, differentiation is often not prioritized. Focused reviews, audits and evaluations of the Global Fund model have indicated the challenges. As part of the evolving maturity of risk management at the enterprise level, there is an increasing level of maturity across Secretariat operations which paves the way for simplification and differentiation, supported by greater use of technology. This is complemented by identification of critical execution risks and related controls which will help to further streamline and simplify. In parallel many portfolios are moving towards sustaining the gains, maintaining quality programs and focusing on the most challenging last mile service delivery. The Secretariat and the wider partnership must channel their capacity towards the most critical programmatic challenges while giving greater ownership and flexibility to in-country partners to manage continuity of quality programs. This will require informed risk trade-offs to ensure the partnership remains focused on the highest burden and highest risk portfolios while leaving no one behind. Achieving the right balance between simplification and maintaining adequate oversight and controls is going to be critical, which is resulting in an increasing direction of travel for the **Risk Management and Internal Controls risk**.

Governance and Oversight risk

16. The pressures and strain on the Secretariat and implementers also apply to the Global Fund's governance structures. The agility and effectiveness of governance structures and processes will be essential to ensuring the quality and timeliness of difficult decisions on the horizon, including opining on critical policy decisions linked to the future direction of the organization. The effectiveness of governance structures is also going to be essential in enabling the Board and its committees to navigate the inevitable strain on stakeholder engagement and support mechanisms, which are central to successful resource mobilization and the adequacy of financial resources leading into the next grant life cycle.
17. There are clear benefits in a multi-stakeholder representative model, but also challenges, particularly when there is pressure on resources and difficult trade-off decisions need to be made. The Board and its Committees will need to navigate these challenges as well as balancing their

representative roles with their duty of care to the organization, as highlighted in the 2023-24 Governance Performance Assessment².

ORGANIZATIONAL RISK PROFILE AND LEVELS RELATIVE TO RISK APPETITE

Overview

18. The volatility of the risk landscape continues to have a significant impact on the organizational risk profile with 12 of the 22 identified organizational risks rated as High, with 11 risks having an increasing direction of travel, compared with 7 risks in Q1-2024. (See Annex 1 for more detail.)
19. Notably, most grant-facing risks are trending downward or stabilizing, albeit with some delays. By contrast, the non-grant facing risks discussed in the preceding section are trending upwards. The trajectories of grant-facing risks reflect progress with grant implementation in GC7, and do not necessarily take into account the potential impact of external risks on GC8. Once the outcome of the 8th Replenishment is clear grant-facing risk levels will be re-assessed.

Risks that were previously outside, but are now within Board approved risk appetite or on track to meet target risk appetite

20. Despite COVID-19 related challenges and disruption to services, Global Fund investments and the work of the wider partnership have helped programs to improve upon pre-COVID performance and results, in particular for HIV and TB, ensuring continuity and scale-up of life-saving prevention, treatment and care. Malaria programs are being impacted by a range of external factors, and yet campaigns are still largely being implemented on time and access to diagnosis and treatment is being expanded.
21. There are notable gains and opportunities which will help drive continued momentum behind achieving the organization's strategic objectives. These include the introduction of dual-ai nets, vaccines, the scale up of multi-disease molecular diagnostic platforms, novel therapeutics for HIV prevention, 2nd line TB treatment, and improved access to oxygen. Proactive market shaping by the wider partnership is also helping to drive price reductions for HIV and TB treatment, and GeneXpert machines. Continuation of support to the next generation market shaping strategic initiative including accelerating introduction of new tools and implementing them to scale will create further opportunities looking ahead. In combination, these developments will help ensure that more can be achieved within available funding envelopes, whilst also facilitating dialogue on sustainability and encouraging increased funding from domestic resources. Implementing innovations and tools at scale, and efficiently, will require even greater alignment and coordination across the partnership and leveraging institutional capabilities and strengths.
22. Backed by strong programmatic performance of care and treatment programs across several high burden eastern and southern African countries the **HIV Program Quality risk reached the target risk level of Moderate in November 2023 and has stabilized at Moderate** in the first quarter of 2024. In line with this reduction, Risk Appetite has been reduced to Moderate. However, the ongoing challenges should not be underestimated. These challenges include maintaining quality of care and treatment programs; scaling up targeted prevention programs; addressing financial and human resource gaps that limit coverage and impact; and the growing threat to human rights among those most at risk of contracting HIV.

² https://archive.theglobalfund.org/media/14291/archive_bm51-13-governance-performance-assessment_report_en.pdf

23. The **TB Program Quality risk has a risk level of High (down from Very High at the peak of the COVID-19 pandemic)**. Maintaining progress in reducing the risk level and reaching a Moderate level of risk by mid-2025 and beyond is possible, but likely to be challenging. The biggest driver of risk is neither technical nor political, but more an issue of resourcing. The Secretariat shares concerns of the TB partnership on the imminent risk of gaps in core diagnosis and treatment as programs overshoot on their positive performance contributed by expansion of molecular diagnostic access, improved facility and community screening services including use of digital x-rays, and private sector and community engagement. While programs continue to prioritize and reprogram grant funds, mobilize domestic and donor resources, some countries may be challenged to maintain the scale of expansion. This is evidenced by some of the high burden portfolios like Nigeria and Bangladesh recording significant funding gaps in sustaining programmatic scale up moving into year three of the current grant cycle. Concurrent to driving efficiencies and resource mobilization efforts, the TB partnership must actively engage and support sustainability planning to prevent avoidable cliffs in programming.
24. The **Malaria Program Quality risk stabilized at the higher end of High in mid-2024** reflecting programmatic needs, coverage gaps and other external factors. However, the risk outlook is Very High over the next one to two years as programs have limited bandwidth to absorb any additional shocks. The target to return to High is December 2025 and the Secretariat will come back in November 2025 with a timeline for reaching Moderate. The first half of 2024 witnessed unprecedented climate events and the impact on malaria peak transmission trends needs to be monitored. Dual AI nets are a promising intervention but addressing the threats of insecticidal resistance, global supply chain constraints and delays may push campaign timelines in several countries in 2024. There are also indications of decline and uncertainty in available funding from other external and domestic resources making it challenging for programming and prioritization of limited resources. Following up on the discussions and steer from the Board, the Malaria partnership is working on a multi-pronged strategy to address the funding gap, strengthen technical support and guidance to countries, and improve the quality of malaria service delivery. As programs are faced with sizeable funding gaps, there may be opportunity to drive further efficiencies in grant implementation including exploring in-kind contributions and facilitation of malaria campaigns by government, local civil society and communities.
25. The **Procurement risk crossed the Moderate risk band in March 2024 and has now stabilized**. Key factors contributing to this reduction in the risk level include post COVID-19 normalization of procurement processes, progress with, and improved oversight of, C19RM procurement investments, and implementation of planned mitigations and assurance in portfolios such as the Democratic Republic of Congo (DRC), Kenya, Uganda and Tanzania. Efforts are ongoing to maintain the risk level at Moderate, including regularly monitoring external factors beyond the Global Fund's control (e.g. the crisis in the Middle East impacting supply chain routes through the Red Sea and changes in freight costs and associated constraints). Enhanced monitoring of grant-specific Key Mitigating Actions will also be essential.
- Risks that are currently outside Board approved risk appetite**
26. As forecasted in the previous Risk Report to the Board and the Committees, **the In-Country Supply Chain (ICSC) risk did not meet the target risk level of Moderate by the end of June 2024**. In response, the Secretariat undertook a detailed review of the ICSC risk across all its High Impact and Core portfolios to assess the progress made, the residual risks as well as planned mitigations and assurances. The Secretariat also strengthened its communications on risk rating guidance to ensure transparent, objective and consistent assessment of risk across portfolios. The review

identified opportunities to further strengthen quantitative measurement of key ICSC outcomes and metrics, ensure timely and quality execution of sustained, targeted ICSC strengthening investments under GC7 grants and C19RM, and promotion of a risk-based tailored approach to assurances. The expectation is that these initiatives will help reduce the ICSC risk and see it stabilize at Moderate by the end of December 2025. At the same time, it is important to acknowledge the funding and governance landscape volatility and likely reductions in direct grant, Strategic Initiative or partner investments in this space, which may put further strain on some of the already fragile systems.

27. The **Grant-Related Fraud and Fiduciary risk is reducing but did not meet the target risk level of Moderate by June 2024**. Notable progress has been made in managing the heightened fraud risk during the COVID-19 pandemic and subsequent period. Targeted risk-based assurance strategies including proactively channeling COVID-19 supplies procurement, pre-award procurement reviews by the LFAs, and monitoring of program execution have helped to contain the risk. The inherent risk for fraud nevertheless remains high in the current environment of macro-economic and fiscal strains and ever evolving fraud schemes including the threat of cybersecurity. However, through ongoing efforts, which reflect the maturity of the Global Fund’s risk management in this area, the residual risk has gradually moved to the high end of Moderate by August 2024 and is expected to reduce the target level of Moderate by December 2024. These efforts include a concerted focus on grant investments, including systematic follow-up on the Fraud Risk Assessments (FRA) undertaken across 12 high-risk high-investment portfolios in 2022-23, and close monitoring and oversight of FRA action points and targeted risk-based assurances embedded into portfolio risk and assurance plans. These high-risk high-investment portfolios include Mozambique, Nigeria, and DRC.
28. At the same time as progress is being made it remains important to acknowledge that combined efforts by the implementers and the Secretariat through their audits and assurance activities and OIG led investigations, are likely to uncover evidence of fraud risk materializing. These are systematically escalated through incident reports and the Global Fund’s recoveries process to bring such events to closure in line with Global Fund policies.
29. 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	Moderate	Moderate	Moderate	Jun 2024	Steady →	Met target risk level by June 2024
Program Quality – TB	SC	High	High	Moderate	Jun 2025	Decreasing ↓	In Progress
Program Quality – Malaria	SC	High	Very High	High	Dec 2025	Increasing ↑	In Progress
				Moderate	TBD		TBD

Risk Name	Purview	Residual Risk	Risk Appetite	Target Risk	Target Risk Timeframe	Direction of Travel	Status to target risk timeframe
M&E	SC	Moderate	Moderate	Moderate	N/A	Steady →	Within Risk Appetite
Procurement	SC	Moderate	Moderate	Moderate	Jun 2024	Steady →	Met target risk level by June 2024
In-Country Supply Chain	SC	High	High	Moderate	Jun 2024*	Decreasing ↓	Did not meet target risk level by June 2024
Grant Related Fraud & Fiduciary	AFC	High	High	Moderate	Jun 2024*	Decreasing ↓	Did not meet target risk level by June 2024
Accounting & Financial Reporting by Countries	AFC	Moderate	Moderate	Moderate	Dec 2023	Steady →	Within Risk Appetite
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

RISK MANAGEMENT PRIORITIES

30. Leading into 2024 a core set of priorities were identified to further enhance the Global Fund's approach to, and the execution of, risk management. These build on enhancements implemented in preceding years and newer initiatives.
31. **Promoting a risk aware culture by implementing** systematic training sessions and capacity-building efforts, beginning with Secretariat teams and expanding to include implementers and LFAs. Additionally, work has focused on updating current guidelines and creating new training materials to support these efforts. In the current volatile environment, it is critical that Global Fund staff and implementers' understanding of, and attitude towards, risk management leads them to consistently make informed risk trade-off decisions. These initiatives have also been designed to ensure the timely flow of information, underpinned by open and honest dialogue using a common vocabulary that further promotes shared understanding.
32. **Strengthening risk analysis and analytics** by bringing greater rigor to, and improving the quality of, risk analysis and portfolio analytics to better inform performance management and risk management decisions. This has included updated tools and risk guidance launched in 2023 and enhanced analytical capacity. Enhanced data from the Integrated Risk Management module launched last year, has been leveraged to create a range of analytical dashboards. These dashboards enable faster triangulation between risk ratings and various indicators, allowing for quicker ad-hoc reporting and more efficient analysis of different data points from multiple perspectives. This approach significantly enhances risk management by providing timely and valuable insights for informed decision-making. The creation of the Programmatic Monitoring Department has further bolstered this capacity by linking programmatic analysis with broader risk analysis and driving a focus on programmatic performance as a means of flagging emerging risks and issues and proactive problem solving.
33. **Strengthening monitoring and oversight** by focusing on implementing a more tailored and value-add assurance framework and building out exception and incident reporting for both current and emerging risks. The Secretariat has built on outputs from the OIG Advisory on LFA Approaches for Country Level Monitoring³, lessons learnt from targeted assurance under C19RM, and evidence gathered through detailed analysis of historic assurance activity, to review and update its approach to the scope and approach for LFA led assurance. The new approach is built around risk-based targeted assurance, which complements other assurance activity, rather than duplicating, and creates an optimal balance between preventive and detective assurance. Access to, and visibility of, assurance reports has also been improved so that reports can be more systematically analyzed to identify trends in risk triggers, incidents and exceptions and used to inform mitigation plans and the design of future assurances.
34. These areas of focus will remain priorities moving forward but at the same time further enhancements and adaptations will be made as the Secretariat works to operationalize the Board's decisions in response to different options / strategic levers and funding scenarios. As part of this process, it remains crucial that the organization maintains key risks and controls whilst also leveraging and complimenting in-country and wider partner assurance mechanisms. Streamlining is going to be essential, but it must not be at the expense of compromising key controls and the gains made over the past years in maturing the Global Fund's risk management framework and internal control environment. Rather the focus must be on ensuring key controls are appropriately targeted relative to risk, appropriately positioned with the organization's processes, and underpinned by clear accountability.

³ GF-OIG-22-016 Evolution of Local Fund Agents Approaches for Country-Level Monitoring, https://www.theglobalfund.org/media/12421/oig_gf-oig-22-016_report_en.pdf

35. The Secretariat is also collaborating with the OIG, who is performing an advisory on Risk Management. The advisory aims to identify what changes to the Global Fund's Enterprise Risk Management would make it better fit in a context that will require more agility and an optimal approach to risk trade-offs. It will also explore opportunities for streamlining of risk management processes, and compare the Global Fund risk management model to other organizations.

CONCLUSION

36. The volatility of the external environment is impacting the organization's risk profile. Grant-facing risks are largely either within risk appetite or risk trajectories are heading in the right direction, albeit with some notable exceptions, e.g. the Malaria Program Quality risk. However, by contrast, internally facing risks related to Global Fund operations, which have previously been relatively stable, now have an increasing direction of travel.

37. Looking towards the next 12 months the focus must be on mitigating the impact of external risks, in particular, ensuring the implementation of Global Fund supported programs, a successful 8th Replenishment and the continued effectiveness of the wider Global Fund partnership. Thinking beyond the next 12 months it also means ensuring the organization is positioned to evolve as needed and is fit for purpose by the end of 2026 moving into the next grant life cycle.

ANNEXES

The following items can be found in the Annex:

- Annex 1: Organizational risk summaries for Q2 2024
- 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 Q2 2024

Risk Name		Residual Risk	Risk Appetite	Target Risk Level and Due Date		Direction of travel	Ability to mitigate
1	Program Quality – HIV	Moderate *	Moderate ▾	Moderate	Jun-2024	Steady → [▲]	MODERATE
2	Program Quality – TB	High	High	Moderate	Jun-2025	Decreasing ↓	MODERATE
3	Program Quality – Malaria	High	Very High	High	Dec-2025	Increasing ↑	MODERATE
				Moderate	TBD		
4	M&E	Moderate	Moderate	Moderate	N/A	Steady →	MODERATE
5	Procurement	Moderate ▾ *	Moderate ▾	Moderate	Jun-2024	Decreasing ↓	SIGNIFICANT
6	In-Country Supply Chain	High	High	Moderate	Jun-2024**	Decreasing ↓ [▾]	MODERATE [▲]
7a	Grant-Related Fraud & Fiduciary	High	High	Moderate	Jun-2024**	Decreasing ↓	MODERATE
7b	Accounting & Financial Reporting by Countries	Moderate	Moderate	Moderate	N/A	Steady →	MODERATE
8	In-Country Governance	Moderate	Moderate	Moderate	N/A	Increasing ↑	MODERATE
9	Quality of Health Products	Moderate	Moderate	Moderate	N/A	Steady →	MODERATE
10	Human Rights & Gender Equality	High	N/A	N/A		Increasing ↑	MODERATE
11	Transition	High	N/A	N/A		Increasing ↑	MINOR
12	Drug & Insecticide Resistance	High	N/A	N/A		Increasing ↑	MODERATE
13	Ethical Misconduct and SEAH	High	N/A	N/A		Steady →	MODERATE
14a	Future Funding – Donor Funding	High	N/A	N/A		Increasing ↑	MODERATE
14b	Future Funding – Domestic Health Financing	Very High	N/A	N/A		Steady →	MINOR
15	Internal Operations	Moderate	N/A	N/A		Steady →	SIGNIFICANT
16	Integrated Grant Policies, Processes, Systems & Data	Moderate	N/A	N/A		Increasing ↑ [▲]	SIGNIFICANT
17	Risk Management & Internal Controls	Moderate	N/A	N/A		Increasing ↑ [▲]	SIGNIFICANT
18	Legal	Moderate	N/A	N/A		Steady →	MODERATE
19	Governance & Oversight	Moderate	N/A	N/A		Increasing ↑ [▲]	SIGNIFICANT
20	Organizational Culture	Moderate	N/A	N/A		Increasing ↑ [▲]	SIGNIFICANT
21	Workforce Capacity, Efficiency & Wellbeing	High	N/A	N/A		Increasing ↑	SIGNIFICANT
22	Reputation	High	N/A	N/A		Steady →	MODERATE

* Risk Appetite target risk level achieved by the target due date.

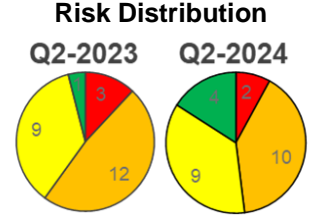
** Extension to the Risk Appetite target due date will be recommended to the Board.

[▴] Increased compared to previous quarter

[▾] Decreased compared to previous quarter

1 Program Quality – HIV (Risk Owner: SIID)

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.



Residual Risk	■ MODERATE	Direction of Travel	STEADY →
Risk Appetite	■ MODERATE	Target Risk	■ MODERATE
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	JUN-2024

🔍 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 also 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 includes support for sustainability planning including accelerated integration of service delivery, and support to countries in implementing the 22 HIV Program Essentials, critical interventions and approaches recommended by technical partners for achieving the outcomes and impact outlined in global HIV strategies.

🔄 Planned response – In Progress*

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 the 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.

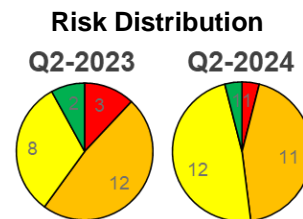
📊 Outlook

The Program Quality risk for HIV crossed the ‘Moderate’ risk band in November 2023 and has been stabilized at ‘Moderate’ in the first quarter of 2024. The Risk Appetite target risk level was therefore achieved by the target due date of June-2024, that was approved by the Board. This shift is largely driven by strong performance of care and treatment programs, especially across several high burden countries. However, we cannot underestimate the continued challenges ahead, including maintaining the quality of care and treatment programs and scaling up targeted prevention programs; addressing financial and human resource gaps that limit coverage and impact, and the growing threat to human rights among those most at risk of HIV acquisition.

* Status reflects the aggregate of planned actions that are monitored separately.

2 Program Quality – TB (Risk Owner: SIID)

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 access to quality TB diagnostics and treatment, 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.



Residual Risk	■ HIGH	Direction of Travel	DECREASING ↓
Risk Appetite	■ HIGH	Target Risk	■ MODERATE
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	JUN-2025

🔍 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. Drug and diagnostic stock outs due to gaps in funding and or delayed procurements or manufacturing and supply chain delays leading to interruption in services and or slowing scale-up. Lack of a people-centered approach and failure 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. Technical support through the TB Strategic Initiative (2021-2023) which was intended to design innovative strategies for finding and treating TB will no longer be available and leaves potential gaps in supporting critical country needs to reduce barriers along the TB care cascade and enhance TB case finding and treatment with a focus on key vulnerable populations.

🛡️ 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.

📌 Planned response – In Progress*

The planned response to 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. Discussions with GDF and technical partners will aim to expedite the ERP process for an additional quality assured API supplier, while rationalizing orders for countries. 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.

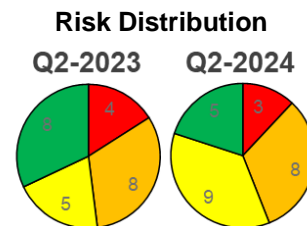
📊 Outlook

The current strategies and planned initiatives indicate a 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, and active involvement of the private sector and communities. With the increased ambition to scale up new tools and regimens and significant coverage gaps seen in GC7; further risk mitigation will be contingent on additional funding to cover these gaps.

* Status reflects the aggregate of planned actions that are monitored separately.

3 Program Quality – Malaria (Risk Owner: SIID)

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. Insufficient routine and surveillance data systems would limit ability of programs to fully tailor and monitor subnational tailoring of programs and intervention mix.



Residual Risk	■ HIGH	Direction of Travel	INCREASING ↑
Risk Appetite	■ VERY HIGH	Target Risk	■ HIGH
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	DEC-2025

🔍 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 availability, 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 consolidating efforts to strengthen primary health care (including malaria) and support countries to expand access to quality care; ensure 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 – In Progress*

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 increasing access to the most effective tools by focusing on areas with identified drug and/or insecticide resistance; rolling out the strategy for the introduction of multiple first line therapies; increasing affordability of dual AI nets to address insecticide resistance; updating malaria risk ratings root causes/guidance to account for the diverse extrinsic risks and review country risk ratings accordingly; mobilizing resources and identifying efficiencies to address gaps in high impact interventions; exploring opportunities to reduce the environmental impact of malaria interventions.

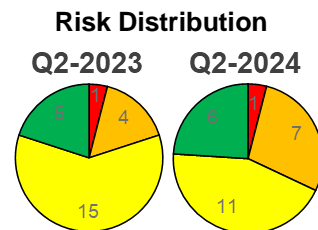
🏠 Outlook

The Secretariat is systematically reviewing and reassessing the risk drivers and coverage gaps under GC7 to inform country specific residual risk rating and mitigation plans, however, current risk drivers continue to impact the increasing direction of travel. 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. The Secretariat will continue to optimize grant investments to address the impact of emerging risks and climate change events on the grants. The Malaria Program Quality risk has been moving between the ‘Very High’ and ‘High’ risk bands over the past year. While we expect the risk level to stabilize at upper end of ‘High’ by the end of this year, given the uncertainty around climate change events, political and security disruptions, and coverage gaps, we will maintain the Risk Appetite level at ‘Very High’.

* Status reflects the aggregate of planned actions that are monitored separately.

4 M&E (Risk Owner: PMD)

The risk is characterized by insufficient generation of quality program data and its use 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.



Residual Risk	■ MODERATE	Direction of Travel	STEADY →
Risk Appetite	■ MODERATE	Target Risk	■ MODERATE
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	N/A

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). Further challenges 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 – On Track*

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. However, the response will be constrained by increasingly limited resources related to reductions to central funds for data initiatives.

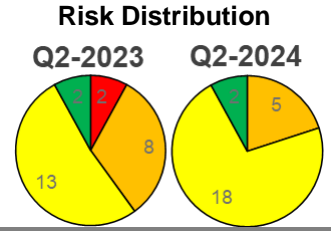
Outlook

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.

* Status reflects the aggregate of planned actions that are monitored separately.

5 Procurement (Risk Owner: SO)

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.



Residual Risk	MODERATE	Direction of Travel	DECREASING ↓
Risk Appetite	MODERATE	Target Risk	MODERATE
Global Fund Ability to Mitigate	SIGNIFICANT	Target Timeframe	JUN-2024

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.

Current Response

Responses span the spectrum of strategic and tactical levels to enable robust mitigations to the dynamic, complex procurement and supply risk environment.

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.

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.

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.

Planned response – On Track*

Future planned responses include increased appropriately tiered monitoring and oversight within the Secretariat of supply operations, 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. Strategies also involve enhanced monitoring and oversight of in country procurement for 6 countries, review of risk rating across regions and revising mitigating actions for all countries above the risk appetite

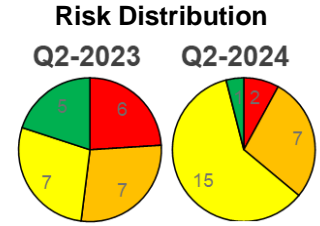
Outlook

The procurement risk, which crossed the 'Moderate' risk band in March 2024, has now stabilized and is now considered 'Moderate'. The Risk Appetite target risk level was therefore achieved by the target due date of June-2024, that was approved by the Board. While efforts continue to maintain the risk level at Moderate, it is crucial to regularly monitor external factors beyond the Global Fund's control, such as crisis in middle east impacting supply chain routes through Red Sea, changes in freight costs and constraints, to ensure a stabilized risk. Enhanced monitoring of grant-specific KMAs will also be essential.

* Status reflects the aggregate of planned actions that are monitored separately.

6 In-Country Supply Chain (Risk Owner: SO)

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 management, 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 the Global Fund's investments and lead to higher mortality and morbidity rates.



Residual Risk	■ HIGH	Direction of Travel	DECREASING ↓
Risk Appetite	■ HIGH	Target Risk	■ MODERATE
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	JUN-2024

🔍 Potential key drivers

The key risk drivers for the in-country supply chain issues include inadequate coordination and leadership; poor data availability, visibility and quality; inadequate facility storage capacity and conditions. Challenges also include inadequately financed 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 adequately finance supply chain strengthening activities.

🛡️ Current Response

The current response to supply chain risk drivers includes the implementation of a comprehensive Supply Chain Roadmap over the next four years. This involves a detailed strategy on warehousing, distribution, and information systems, to improve storage capacity and conditions, address distribution challenges and optimize distribution networks. We are also implementing Targeted Software Standards (TSS) compliant eLMIS & WMS solutions tailored to a country's maturity level. Supply Operations policies have also been updated to include new guidance and tools for logistics outsourcing, and warehouse improvement. Measuring performance is a key focus, with PU/DR reporting for the three Supply chain indicators for GC7: OSA, SATP and LMIS Reporting Rate are in place to monitor supply chain performance in High Impact and Core countries. Additionally, we have developed a new Supply Chain Maturity Model to assess key processes and metrics, as well as identify maturity levels and improvement areas in all GC7 High Impact and Core countries.

📌 Planned response – On Track*

The planned response to supply chain risk drivers emphasizes improving the quality and utilization of data in Logistics Management Information Systems (LMIS) for better management of supply chain performance. In 2024, the Supply Chain Maturity Model will be rolled out in 10 priority countries and extended to all High Impact and Core countries throughout GC7 cycle. Comprehensive risk reviews will be conducted for all High Impact and Core countries, to reassess risk levels, identify root causes of each sub-risk, develop clear mitigation plans, and identify triggers for change. Monitoring the implementation of the mitigation actions and conducting regular risk reviews will ensure effectiveness of risk mitigation strategies and maintain an accurate risk landscape.

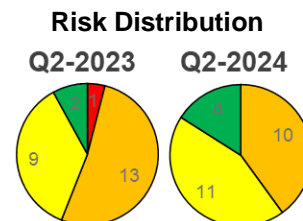
📊 Outlook

Despite progressive scale-up of HIV, TB and Malaria services, no large-scale stock-outs leading to major service disruption were reported. However, stock-outs at facility level, overstocking issues and related expiries risk remains. Gaps in warehousing, ordering and procurement practices, 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 multiple challenges and drivers of the risks, while a 'Moderate' target risk level by Q2 2024 was not achieved, the analysis completed across all regions within the last quarter confirms that the risk level has been decreasing. Based on the analysis of risk drivers, ICSC performance, planned GC7 investments, and prioritized mitigations, the ICSC risk is approaching the 'Moderate' risk level. As the disruptions to global supply chains and limited in-country supply chain capacity due to COVID-19 have since waned, the Global Fund's ability to mitigate the risk has increased. However, the risk will remain volatile due to the likely decline in domestic and external funding, in-country political and security threats, and governance risks, which continue to put additional strain on an already fragile system, as a result, an extension to the Risk Appetite target due date will be recommended to the Board to allow for flexibility given the volatility. The risk level is expected to stabilize at 'Moderate' only by the end of 2025.

* Status reflects the aggregate of planned actions that are monitored separately.

7a Grant-Related Fraud & Fiduciary (Risk Owner: F&A)

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.



Residual Risk	■ HIGH	Direction of Travel	DECREASING ↓
Risk Appetite	■ HIGH	Target Risk	■ MODERATE
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	JUN-2024

🔍 Potential key drivers

The financial risk drivers include weak procurement processes, particularly for non-health procurement within the C19RM grants, regular HTM grants and RSSH component in particular, capital investments, and inadequate internal control systems at both Principal and Sub-Recipient levels. There are inherent deficiencies in fraud risk governance and control, along with challenges in fund flow due to sub-optimal banking coverage and macroeconomic instability in many of the top 20 countries that drive Grant related Fraud and Fiduciary risk. With many countries and regions across the world experiencing political instability due to existing conflicts or as part of the process of transitioning government, the likelihood of operational disruptions remains high. This in turn hampers the execution of financial controls, resulting in potential ineligible expenditures and asset loss. Countries with persistent instability are also characterized by low-capacity implementers with higher risk of misuse of funds. Emerging cybersecurity threats and poor data governance controls also present significant risks of financial fraud and corruption. Economic outlook as we enter the second quarter of 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.

🛡️ Current Response

The response to financial fraud and fiduciary risk drivers includes enhanced governance and oversight of implementers, improved financial assurance models, and revised external audit terms for risk assessment. System-generated analytical reports now facilitate better triangulation, enhanced M&O of quality of expenditure reported by the PR and potential financial recoveries. The focus remains ensuring business continuity while undertaking measured risk and reward trade-off decisions. Through follow-up on FRA Prioritized Action Plan for 12 countries Secretariat is now moving to review the effectiveness for portfolios that have well advanced on FRM enhancements e.g. CIV and Liberia while close oversight is being maintained on other high-risk portfolios. 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 as mitigating measures in high-risk countries. In this context, reinforcement of performance indicators to include PR and CT feedback & progressive transition/ exit planning are key factors for rigorous negotiation of FA-LOE and costs for GC7 work orders. Robust external audit process through use of comprehensive guidelines is in place. Efforts to minimize cash transactions using innovative cost-efficient technological payment platforms with 89% of High Impact and Core countries having a form of digital payment in place. Oversight mechanisms for COVID-19 Response Mechanism (C19RM) activities and procurements have been strengthened (Wambo /PPM, third-party outsourcing, spot checks). Financial guidelines including Budgeting Guidelines and Risk & Assurance Plans are being effectively implemented. Annual risk management reviews of UN entities and INGOs has been completed. Thematic PPC on UN entities which manage 13% of Global Fund portfolios was held in November 2023 (and next one planned for in Aug 2024) with action plan established to address issues specific to UN entities. Similarly thematic PPC on GFF at entity was held in Dec-24 with the next one scheduled for Sep-24. Target cross-functional review of fraud risks under financial, procurement, supply-chain and programmatic areas are systematically reviewed. Integration of OIG insights and Ethics inputs on PCFC enables a holistic coverage of GFF risk monitoring and oversight. The Incident Reporting Mechanism has been elevated to Risk Department that is enabling a wider coverage of incident reports beyond financial risks. The outreach of this reporting has been expanded from CFO and CRO to Head of GMD, TAP, SO, and Ethics. There's also an increased focus on training and raising awareness about fraud risk identification and management. Joint conference with the OIG in June 2024 with top 13 implementing country partners covered integrity and fraud risks. The OIG-IRM conference emphasized the use of PR assurance for managing fraud risk, assurance activities, and incident reporting. Additionally, investigating fraud and prohibited

practices, along with addressing enhanced IDD and managing emerging risks related to PSEAH, were central themes of the conference.



Planned response – On Track *

The planned response to financial risk drivers involves revising assurances guidelines for fiscal agents, and performing periodic thematic reviews on key risks and implementer types. Fraud Risk Maturity Assessment recommendations are being applied across various departments to strengthen programmatic assurance and fraud monitoring. 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 integrated into risk management plan and GC7 grant funding.



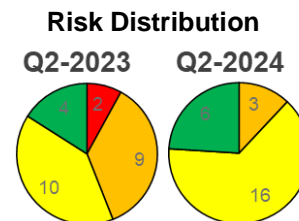
Outlook

The risk level continues to be rated 'High' at end of June 2024, but it is steadily declining and is expected to reach 'Moderate' risk band by the end of December 2024 due to ongoing mitigating actions. Concentrated efforts in key priority portfolios, including Nigeria, Mozambique, DRC, Uganda, South Africa and Malawi, are driving this improvement. II FRM Thematic PPCs is scheduled for September 2024. 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. An extension to the Risk Appetite target due date will be recommended to the Board and the risk is expected to stabilize at 'Moderate' by December 2024.

* Status reflects the aggregate of planned actions that are monitored separately.

7b Accounting & Financial Reporting by Countries (Risk Owner: F&A)

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.



Residual Risk	■ MODERATE	Direction of Travel	STEADY →
Risk Appetite	■ MODERATE	Target Risk	■ MODERATE
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	N/A

🔍 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 – On Track*

The planned response to risk drivers includes optimizing cash management and minimizing foreign exchange risk in grant implementation. Firstly, through establishing clear metrics for measuring foreign exchange risks on the GC7 grants using measures such as using PPM charge back to manage FX on cross-currency grant disbursements. Secondly through 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 and in South Africa. In addition, for Nigeria, a fit-for-purpose review on fund flow arrangement and FX management is planned to be undertaken during the second semester of the year. 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 0.57% variance on the 2023-year end reporting, based on July 2024 results. 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.

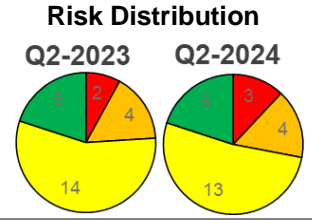
📊 Outlook

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.

* Status reflects the aggregate of planned actions that are monitored separately.

8 In-Country Governance (Risk Owner: GMD)

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.



Residual Risk	■ MODERATE	Direction of Travel	INCREASING ↑
Risk Appetite	■ MODERATE	Target Risk	■ MODERATE
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	N/A

🔍 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 – On Track *

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.

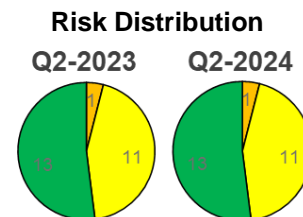
📊 Outlook

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.

* Status reflects the aggregate of planned actions that are monitored separately.

9 Quality of Health Products (Risk Owner: SO)

The risk involves patients being exposed to substandard quality of health products (HP) from Global Fund supported programs, which are unsafe, ineffective, or of poor quality. This leads to poor health outcomes, including mortality or morbidity, increased drug resistance, and diminished impact of Global Fund investments.



Residual Risk	■ MODERATE	Direction of Travel	STEADY →
Risk Appetite	■ MODERATE	Target Risk	■ MODERATE
Global Fund Ability to Mitigate	MODERATE	Target Timeframe	N/A

🔍 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 substandard health products (non-WHO prequalified, non-WHO-Listed Authority (WLA) authorized, non-SRA approved or recommended by ERP) increase the risk of inadequate HP entry in the market. Moreover, weak supply chain systems increase 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, considering the limited experience with such products.

🛡️ Current Response

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.

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.

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.

📅 Planned response – On Track *

The planned responses to the quality risk drivers will involve refining the Quality Assurance framework, monitoring the expected deliverables by WHO on Strategic Initiative (SI) for Next Generation Market Shaping dual work streams i.e. Accelerate health product introduction at scale and Promote capacity building for African manufacturing. Each work stream has the following main activities:

- Development of normative guidance and standards on VCPs, MQAS & Pharmaceutical waste management
- Reinforcement of the existing ERP for In-Vitro Diagnostics & Pharmaceuticals with a launch of a pilot ERP for in Africa produced HIV RDTs
- QA training programs for regional manufacturers and regulators and technical assistance on dossier compilation by manufacturer for WHO PQ
- Support the establishment and maintenance of regional /sub- regional regulatory networks in Africa through regulatory collaborations, convergence, and harmonization.

Similarly, there will be a continuous evaluation of the full implementation and consistent execution of the Corrective Action and Preventive Action (CAPA) on the major findings that could not be verified in last audit at one of the Procurements Service Agent

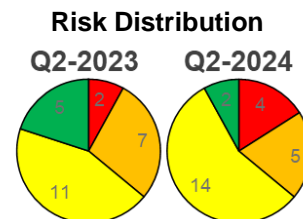
🏗️ Outlook

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. The PSA is to implement the QA plan that will minimize the inherent quality risk associated with essential medicines (Non-core). 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.

* Status reflects the aggregate of planned actions that are monitored separately.

10 Human Rights & Gender Equality (Risk Owner: SIID)

Human rights-related barriers and gender inequality, including stigma, discrimination, and harmful gender norms, heighten risk and vulnerability, limits 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.



Residual Risk	HIGH	Direction of Travel	INCREASING ↑
Global Fund Ability to Mitigate	MODERATE		

🔍 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, plans and investments. 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.

🛡️ 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 the leadership and engagement of 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.

📌 Planned response – On Track *

The planned response to human rights risk drivers includes strengthening the secretariat and the in country partners capacity to respond to human rights barriers and to manage risk. At the secretariat level CRG regional investment support advisers provides hands-on investment support throughout the grant lifecycle to achieve grant targets and ensure compliance. 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 impact on grants of 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 timely data for program scale up and risk mitigation.

A new Gender Equality Team in CRG is driving 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. It also includes the launch of a Gender Equality Marker across all portfolios to track and strengthen approaches to gender within country grants. To help tackle the contextual drivers of gender risk, a new Gender Equality Fund will support community engagement to help address the root causes of gender inequality and counter the gender backlash.

📊 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.

* Status reflects the aggregate of planned actions that are monitored separately.

11 Transition (Risk Owner: SIID)

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.

Residual Risk	■ HIGH	Direction of Travel	INCREASING ↑
Global Fund Ability to Mitigate	MINOR		

Potential key drivers

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).

Current Response

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 and planning processes for GC8.

Planned response – On Track *

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 review of STC considerations in GC7 grants, continued consideration of sustainability / transition issues by the TRP in their review of GC7 grants, efforts in targeted countries (a limited amount) to use blended finance / debt2health initiatives to raise additional resources, and the implementation of the Health Financing Strategic Initiative for GC7, which has limited funding for thematic areas linked to transition. In addition, as part of preparations for GC8, the Secretariat is exploring opportunities to further support transition efforts as part of more comprehensive discussions on sustainability.

Outlook

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 potential pressures of external financing for transition contexts in GC8, 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 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.

* Status reflects the aggregate of planned actions that are monitored separately.

12 Drug & Insecticide Resistance (Risk Owner: SIID)

Increased resistance to drugs and insecticides used in treating and preventing (as in the case of insecticides) 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. Insecticide resistance not only impacts the ability to reduce malaria cases and deaths but also negatively affects the effectiveness of investments of the Global Fund in malaria control and elimination efforts.

Residual Risk	■ HIGH	Direction of Travel	INCREASING ↑
Global Fund Ability to Mitigate	MODERATE		

Potential key drivers

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, limited access to treatment, 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 quality case management in both public and private sector and heavy reliance on small number of most affordable antimalaria drugs providing selective advantage to the parasite to develop resistance. 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.

Current Response

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/retention and viral load suppression, access to viral load testing, and community engagement/patient literacy/U+U efforts; developing national action plans for HIV drug resistance; and supporting HIV drug resistance surveillance. For TB, support includes adhering to WHO guidelines on treating Drug Resistant TB (DR-TB), accelerating access to rapid molecular testing to detect TB and resistance to first- and second-line drugs and improving access to treatment (short oral regimens) patient management including monitoring for adverse events that affects treatment adherence. 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.

Planned response – On Track *

For Malaria, 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 and a proactive response to drug resistance. Addressing antimalarial resistance includes diversification of ACTs, rolling out more rational therapeutic deployment approaches like Multiple Firstline Therapies and effectively managing the currently high selection pressure on a particular ACT, safeguarding its useful lifespan as well as next generation combination therapies. These efforts include catalytic funding initiatives like the NextGen Market Shaping SI and Net Transition Initiative SI. Efforts will support expansion of access to the implementation of the 2022 WHO Strategy to respond to antimalarial drug resistance in Africa for its central pillars of the strategy such as 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. This has been done in coherent approach with key partners such as Unitaid, PMI, BMGF, and WHO. To address insecticide resistance, significant efforts have been made to make Dual Active Ingredient ITNs affordable and encourage countries to procure them to address identified pyrethroid resistance. Currently, country demand is greater than supply and thus a partner-wide effort is underway to address this challenge. However, this issue (which is expected to be temporary) will likely result in insufficient coverage with the optimal ITNs in areas. For TB, the response includes providing technical support for DR-TB through mechanisms like the Green Light Committee (for GC6 grants ending in 2024), 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 including optimizing ARV regimens (with ongoing transition to DTG for adults and children).

Outlook

The outlook on drug resistance has improved for HIV and TB, but the threat to all 3 diseases continues. For malaria, the level of response to insecticide and antimalaria drug resistance remains disproportionate to the size of the problem,

complicated by insufficient funding, an inadequate supply (in the case of insecticide resistance) and lack of global stewardship towards proactive solutions. 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.

* Status reflects the aggregate of planned actions that are monitored separately.

13 Ethical Misconduct and SEAH (Risk Owner: Ethics)

The risk of ethical misconduct among Board members and delegates, Global Fund staff and employees, implementers, suppliers, and partners involve 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. There's also 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.

Residual Risk	■ HIGH	Direction of Travel	STEADY →
Global Fund Ability to Mitigate	MODERATE		

Potential key drivers

Ethical Misconduct: The risk drivers include atone 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. A weak system of adequate accountability for wrongdoing in particular, a weak internal justice mechanism (IJM) may drive lack of accountability for ethical misconduct. Ineffective and inefficient business processes and assurance mechanisms may create perverse incentives and reduce transparency and accountability.

SEAH Risk: There is insufficient capacity to prevent, detect, or respond to sexual exploitation, abuse, harassment, or child abuse, further exacerbating these risks.

Current Response

The Global Fund's response to ethical misconduct and SEAH risks includes a comprehensive set of policies, (such as the Ethics and Integrity Framework, Codes of Conduct, PSEAH Framework, Child Protection Framework, Conflicts of Interest Policy, and Fraud & Corruption Policy), procedures, and training programs.

Ethical Misconduct: Regular learning and engagement on ethics principles is provided to Staff, Governance Bodies, and CCM ethics officers and focal points. Systems and procedures are in place to conduct integrity due diligence on counterparties. Grant management systems and processes include procedures to manage fraud and corruption risks in grants.

SEAH Risk: Mandatory PSEAH training is included in onboarding for secretariat staff and CCM ethics officers and focal points. Aligned with the PSEAH Framework, PR PSEAH capacity is assessed and support for capacity building provided to PRs pursuant to a risk-based plan prioritizing the highest risk countries. Capacity assessments and capacity-building plans have been completed for PRs in the 12 highest SEAH-risk/impact countries and have been initiated in 2nd priority countries. An established PSEAH Coordination Unit within the Ethics Office provides support for PSEAH investigations and victim/survivors. A victim/survivor support protocol was launched in Q2 2024.

Planned response – PROGRESSING WITH SOME MATERIAL DELAYS *

Ethical Misconduct: With the closure of OIG AMA2, the Secretariat has clarified accountabilities for managing Ethics and Integrity risks and is developing a plan to integrate these into existing risk management processes. Over the next two years, the Codes of Conduct will be reviewed and updated, as needed, to clarify expectations and ensure consistency with each other and relevant policies, beginning with the Code of Conduct for employees. A learning and engagement plan that includes mandatory ethics training for staff will be developed to complement the launch of the updated employee Code in 2025. The Integrity Due Diligence framework which applies a risk-based approach to all counterparties for use by implementers is being rolled out to implementers through Country Teams. Support and guidance for CCM ethics focal points and officers continues to mature in 2024 with establishment of a CCM ethics network and continued targeted tools. Over the next eighteen months, a refresh of the IJM will be complete to ensure it is fit for purpose.

SEAH Risk: The rollout of SEAH Risk Management activities to countries will continue a risk-based and impact-driven basis, with PSEAH capacity assessments and capacity-building continuing to roll out with 3rd Priority countries rolling out in October 2024. End-to-end in-country PSEAH missions are planned for 4 high priority countries in 2024. This includes strengthening local 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 is also being developed. Regional PSEAH Capacity building workshops and end-to-end in-country SEAH risk missions support PSEAH work for PRs and SRs CCM ethics focal points and officers will continue to be trained as PSEAH focal points through targeted learning and engagement.

Outlook

The Global Fund's management of ethics risk is evolving with a strategic focus on improvements to organizational culture and internal justice, enhancing risk mitigation practices, including fraud risk management, setting clear expectations for ethical conduct and handling of ethics concerns, clarified accountability, and increased learning and engagement on ethical standards. Implementing the Integrity Due Diligence framework for implementers and focusing

on SEAH risk mitigation reflects a commitment to strengthened 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.

* Status reflects the aggregate of planned actions that are monitored separately.

14a Future Funding - Donor Funding (Risk Owner: ERCD)

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.

Residual Risk	■ HIGH	Direction of Travel	INCREASING ↑
Global Fund Ability to Mitigate	MODERATE		



Potential key drivers

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. Other drivers include failing to address concerns of key stakeholders on local ownership and simplification and failing to reach agreement on policy issues currently before the Board.



Current Response

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 and climate discussions, monitoring of budget processes, and mobilizing advocacy for the 8th Replenishment and pledge conversion. Enhanced communication and coordination with global health initiatives are prioritized, including follow-up on key policy and process issues. Commitments from donors and partners are actively protected through improved performance and accountability processes.



Planned response – On Track *

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 and integrated communication campaign to align with shifting donor priorities. As well as creating opportunities for innovative and non-traditional partnerships with the private sector.



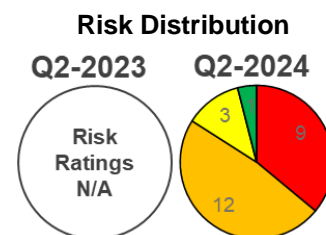
Outlook

Donor 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.

* Status reflects the aggregate of planned actions that are monitored separately.

14b Future Funding - Domestic Health Financing (Risk Owner: SIID)

The risk of domestic financing not materializing or being inadequately utilized, which could hinder scale up or sustaining the progress in national HTM responses and strengthening health systems. This risk includes challenges related to negotiating and formalizing co-financing commitments and the realization of these commitments throughout the grant implementation period. It also includes broader risks related to financial sustainability and value for money/ efficiency, both for grant resources and domestic spending.



Residual Risk ■ **VERY HIGH** **Direction of Travel** **STEADY** →

Global Fund Ability to Mitigate **MINOR**

Potential key drivers

Evolving macro-economic constraints affecting fiscal space for health and HTM programs; lack of data and weakness in systems at country level to track co-financing commitments; constraints in negotiating, confirming and realizing co-financing commitments; fragmented health financing; weak alignment of grant investments with country reforms leading to poor efficiencies; difficulties in securing domestic funding for critical health commodities and interventions for key and vulnerable populations;

Current Response

Implementation of risk mitigation efforts related to sustainability, efficiency, and domestic financing / co-financing through the Health Financing Risk Management Framework (updated for GC7). This includes a systematic review of sub-risks related to sustainability, efficiency, and domestic financing/ co-financing risks as part of the Integrated Risk Management processes. Continued implementation of the Sustainability, Transition, and Co-Financing policy, including the negotiation of co-financing commitments and monitoring of those commitments during grant implementation. The implementation of various innovative finance approaches to support strong domestic financing and resource mobilization, including blended finance efforts (reinforced by the recent Board Approval of the Updated Blended Finance Approach, Debt2Health initiatives, domestic financing advocacy (leveraging various platforms and stakeholders such as AU-ALM, CSO, parliamentarians etc.). Provision of technical assistance on health financing through the Health Finance Strategic Initiative approved for GC7. Engagement with partners (including, but not only, through the Sustainable Financing for Health Accelerator) and PEPFAR to support health financing and sustainability planning; Leveraging Global Fund grants resources to address health financing challenges, leveraging the "Health Financing and Financial Management Systems module. Efforts to strengthen Public Financial Management and better use/ support country systems in targeted countries.

Planned response – **On Track** *

Several measures have been introduced for GC7 to address co-financing challenges, including mandatory commitment letters; a data-driven approach to set co-financing requirements aligned with fiscal space of countries; more proactive monitoring of co-financing during the grant lifecycle; along with updated operational processes for co-financing; new approaches to ensuring higher quality co-financing data collection and governance; and integration of mitigation actions for at-risk countries into grants. The Secretariat will continue to strengthen its blended finance and Debt2Health efforts as a means to leverage additional resources and coordinate with partners, leveraging the recent Board approval of the Updated Blended Finance Approach and expansion of the approach to Debt2Health. A multi-pronged approach to Domestic Financing Advocacy will be implemented with activities planned across global, regional, and country levels. Further efforts will be undertaken to design and operationalize a roadmap for implementation of the Value for Money Framework (with a focus on efficiency, equity and economy) into Global Fund operations.

Outlook

The outlook for the DHF risk is challenging. While there is significant variation across the Global Fund portfolio, countries are facing significant fiscal pressures, with rising debt costs, slowing economic growth, and (as a result) less resources to finance health systems and national responses. In addition, there are uncertainties in external financing leading up to GC8 which may constrain Global Fund resources and further exacerbate risks. The Global Fund will be closely monitoring the existing challenges to understand the direction of travel of the risk moving forward.

* Status reflects the aggregate of planned actions that are monitored separately.

15 Internal Operations (Risk Owner: F&A, IT, SO)

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.

Residual Risk	MODERATE	Direction of Travel	STEADY →
Global Fund Ability to Mitigate	SIGNIFICANT		

Potential key drivers

Risk drivers for the Global Fund's Secretariat operations can be segmented into three main categories: Finance & Administration (F&A), IT, and indirect procurement.

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.

IT: Is characterized by system performance failures in IT. There is an increase in geopolitical risk with international organizations now being high targets by advanced politically driven adversaries. There is an increase in cyberattacks in terms of the size, scale, and sophistication due to AI being used for advanced phishing and social engineering campaigns, fake videos/calls etc. PRs in our countries have low cyber security maturity, use personal email accounts, and have inadequate cyber security training as well as lack secure IT solutions. Supply chain is being targeted by attackers. Cybersecurity incidents and the potential loss of sensitive data underscore the importance of information security in the whole ecosystem. Project management challenges, including scope control, cost overruns, and timeline delays.

Indirect procurement: Risks arising from procurements that are inconsistent with the Procurement Policy and thus fail to protect the organizations commercial interests and operations.

Current Response

The Global Fund's current response to risk drivers includes:

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.

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. Recently immutable backups have been introduced to strengthen the protection against extremely dangerous cyber-attacks (e.g. ransomware attacks).

Indirect procurement: A robust Procurement Framework consisting of a Procurement Policy, Regulations and Procedures is in place for Indirect Procurement activities. There is a Procurement Review Committee (PRC) that oversees all high value and/or high-risk procurements. Approval of all contracts are covered by the Delegation of Signature authorities' procedure. All financial/budget approvals are configured within our ERP system, where there is clear segregation of duties.

Planned response – On Track *

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. The Procurement Manual is in development that will cover both Direct and Indirect Sourcing and will replace the existing Procurement Regulations and Procedures. Financially, the multi-currency disbursement project is being expanded to enhance efficiency in fund management.

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. However, cybersecurity is a global risk, and the Global Fund, along with its partners, is at constant risk of this threat. Therefore, the ability to protect and respond remains a key focus.

* Status reflects the aggregate of planned actions that are monitored separately.

16 Integrated Grant Policies, Processes, Systems & Data (Risk Owner: GMD)

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.

Residual Risk	■ MODERATE	Direction of Travel	INCREASING ↑
Global Fund Ability to Mitigate	SIGNIFICANT		

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 are 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, and a data governance program is in place. 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 periodically reviews and 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 – On Track *

The planned response to risk drivers includes setup and deployment of the information protection labels using Purview as part of the Data Governance Program. Key initiatives for 2024 include both the Implementation Oversight launch and systems development to enable COVID-19 Response Mechanism (C19RM) extensions, with development and delivery continuing until Q4- 2024. The Revisions and integrated FR/GM Launches are scheduled to start in Q3/Q4 2024 with development and delivery continuing into 2025 (pending budget availability). The design and rollout of revised processes are 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.

Outlook

The direction of travel is “increasing” due to uncertainty in the strategic and funding landscape that may require changes in the grant life-cycle processes that the Secretariat has limited resources to adapt to. At the same time, a moderate risk level is expected to be maintained due to current level of maturity of policies, processes, systems and data.

* Status reflects the aggregate of planned actions that are monitored separately.

17 Risk Management & Internal Controls (Risk Owner: Risk)

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.

Residual Risk	■ MODERATE	Direction of Travel	INCREASING ↑
Global Fund Ability to Mitigate	SIGNIFICANT		



Potential key drivers

Risk drivers include the insufficient integration of risk management into operations and decision-making. Key policies, processes, and tools are 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 necessitate 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.



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 C19RM investments. 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.



Planned response – On Track *

The Secretariat continues to focus on strengthening and adapting its risk management approach to the continuously evolving risk landscape, including operationalizing a differentiated approach to Country Risk oversight. 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 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.



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. However, the direction of travel is increasing due to heightened external uncertainties in the strategic and funding landscape, which may necessitate adjustments to internal processes and controls that the Secretariat has limited resources to implement.

* Status reflects the aggregate of planned actions that are monitored separately.

18 Legal (Risk Owner: LGD)

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 and can involve risk of potential law violations and investigations. Privileges and Immunities (P&I) risk relates to the absence of legal protections for resources and staff in countries where the Global Fund operates or provides financing, impacting resource mobilization and asset protection, as well as security and teleworking arrangements impacted by the absence of P&Is in certain donor countries. 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.

Residual Risk	MODERATE	Direction of Travel	STEADY →
Global Fund Ability to Mitigate	MODERATE		

Potential key drivers

The Global Fund faces several legal risks. Contract risks are driven by acceptance of third-party terms and inconsistent use of Global Fund contracts, leading to unintended obligations, increased compliance costs, and challenges in negotiations, especially with pharmaceutical companies. Geopolitical and supply chain issues also impact procurement contracting. External legal risks are driven by the application of extraterritorial laws and/or the absence of privileges and immunities (P&I), such as increasing sanctions enforcement or data protection regulation, as well as claims from counterparties their sub-contractors and/or sub-recipients, under national laws where the Global Fund has engaged in procurement, grant financing or other activity. Internal legal risks are driven by decentralized policy management and lack of a formal compliance structure.

Current Response

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, the response is guided by the reactivated Privileges and Immunities Advisory Group and a revised P&I strategy, with oversight from the EGC and prioritized country engagement. Standard contracts also address P&Is and dispute resolution. Internal legal risks are managed through Legal and Governance 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 the application of Global Fund operational policies in the context of grant making, implementation and closure. External legal risks are addressed through engagements on legal status, assertion of P&Is, advice from local counsel, limitations of liability and indemnity provisions in contracts, updated arbitration guidance, streamlined external legal adviser engagement, sanctions monitoring, and privacy clauses in agreements.

Planned response – On Track *

The planned response to risk drivers includes, among others, enhanced engagement with foreign affairs ministries, negotiating P&Is during grant making and agreeing to the conferral of P&Is through bilateral agreements, 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 both Direct and Indirect procurement, as part of the operationalization of the Board-approved Procurement Policy.

Outlook

A moderate risk level is expected to be maintained.

* Status reflects the aggregate of planned actions that are monitored separately.

19 Governance & Oversight (Risk Owner: LGD)

The risk involves Global Fund governance structures, processes, culture, stakeholders, and support mechanisms, failing to serve as an effective partnership enabler for the new Strategy period. 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.

Residual Risk	■ MODERATE	Direction of Travel	INCREASING ↑
Global Fund Ability to Mitigate	SIGNIFICANT		

Potential key drivers

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 has 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 the agility needed to respond effectively to emergencies or temporary crises.

Current Response

Key mitigating actions to respond to risk drivers include, but 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 embedded elements including during CG and MEC engagements and governance onboarding approach; (iii) **diverse nature of constituencies** – provision of best-practice guidance on constituency management and funding provided to implementer constituencies to support engagement, Virtual Governance Platform enhancing constituency engagement in governance activities, knowledge management, making participation more efficient and streamlined; (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 of constituency funding use; (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, (vii) **renewed EGC focus** and ongoing efforts on improving, streamlining, and simplifying reporting to governance bodies for the current Strategy period, including via alternative information-sharing methods (e.g., Financial Dashboards), and leveraging Monitoring & Evaluation and Key Performance Indicator Frameworks, risk reporting, and other channels.

Planned response – On Track *

The EGC will assess recommendations and findings from the external 2023-2024 Governance Performance Assessment and the 2024 Global Fund Board Representation review. Operational mitigations will be identified and developed taking into consideration EGC input.

Outlook

A 'Moderate' risk level is expected to be maintained; however, the direction of travel is increasing due to growing uncertainty in the strategic and funding landscape. This can potentially lead to disruptions in the effectiveness of governance structures and processes, which could impair the quality and timeliness of decision-making and oversight. This uncertainty may also strain stakeholder engagement and support mechanisms, leading to challenges in resource mobilization and the adequacy of financial resources needed to meet the Global Fund's strategic goals for 2023-2028.

* Status reflects the aggregate of planned actions that are monitored separately.

20 Organizational Culture (Risk Owner: HR, Ethics supported)

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.

Residual Risk	MODERATE	Direction of Travel	INCREASING ↑
Global Fund Ability to Mitigate	SIGNIFICANT		



Potential key drivers

Potential key drivers include a weak ethical culture, where there is a lack of trust in leadership to model our values, support equality of opportunity and nurture an environment where it is safe to speak up. Potential consequences are breaches of the code of conduct, unethical behavior, and conflicts of interest. Another potential 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.

The lack of an effective rewards philosophy and career development pathways may lead to a perception of unfairness resulting in deterioration of employees engagement with the organization. Furthermore, a perception of lack of transparency in communicating plans and appropriately managing organizational change could potentially impede collaboration and erode trust within the organization.



Current Response

The organization has actively responded to the identified risk drivers with several strategic initiatives. An Ethics and Integrity framework is put in place, alongside Ethics policies and a Code of Conduct, and an Employee Handbook all of which are bolstered by awareness efforts, targeted training programs and an Internal Justice Mechanism. The Ethics Office at the Secretariat nurtures an ethical organizational culture by setting clear expectations for behavior and providing training to ensure the expectations are understood. HR defines procedures to support behavioral expectations and implements an Internal Justice Mechanism to assist in conflict and dispute resolution and hold staff accountable for misconduct. In parallel, HR leads the implementation of the People & Organization Ambition 2023-2028 five-year plan including activities centered around key focus areas such as wellbeing, talent management, diversity, equity, and inclusion, demonstrating a commitment to fostering a positive and inclusive workplace culture. Leadership capabilities are being enhanced through manager and employee development programs aligned with the new organizational strategy. These initiatives aim to foster accountability, performance, and a culture of care and candor. A staff engagement survey was conducted to identify areas for focus to strengthen engagement and the development of response plans by managers, leaders and the organization is underway.



Planned response – On Track *

The results of the most recent engagement survey, highlight several potential key risk drivers that will be addressed through the development and embedding of Organizational and Divisional / Departmental / Team improvements and action plans. The staff Code of Conduct is being refreshed to reinforce our values, clarify expectations and provide examples of how to put our values into action. The refreshed Code will launch in early 2025 along with clarifications to the Employee Handbook. Further, a project to refresh the Internal Justice Mechanism is in progress to ensure it is fit for purpose and serving the organizational and staff needs. Finally, a project is in progress to review and refresh the HR policies and procedures and update, as appropriate, the Employee Handbook to provide clarity and align with organizational priorities.



Outlook

While the risk level remains moderate for now, the direction of travel is increasing. In addition to existing risk drivers, inherent risk increased due to uncertainty around the outcome of the next replenishment and anticipated impact on team resourcing and workforce shrinking due to contracts expiring in end 2025. The planned and ongoing mitigating actions, including focus on communication and engagement will strengthen organizational ability to manage the risks in the short term, but their effectiveness will need to be monitored given the number of drivers the organization may not be able to influence.

* Status reflects the aggregate of planned actions that are monitored separately.

21 Workforce Capacity, Efficiency & Wellbeing (Risk Owner: HR)

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 well-being and that of their team members who must compensate for the additional workload.

Residual Risk	■ HIGH	Direction of Travel	INCREASING ↑
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Global Fund Ability to Mitigate	SIGNIFICANT
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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 is 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.

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 being developed through targeted training, supported by new performance cycles and recognition frameworks. 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. The People and Organization Ambition initiative focuses on developing a caring and candid culture, effective talent management, increased leadership, and continuous HR service improvement.

Planned response – On Track *

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. Specifically in Health and well-being, a specialist has been hired to drive immediate improvements on staff resilience building and lead a health and wellbeing risk assessment, followed by the development of an action plan to address identified issues at the individual and organizational level. This plan will be developed in partnership with the Chief of Staff and Risk, ensuring a comprehensive approach to addressing these challenges. Other quick wins include the introduction of key health and wellbeing questions in the engagement survey and the introduction of simplification objectives in the 2024 objective setting process. HR is leading an HR Optimization project 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.

Outlook

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 significantly strained Secretariat staff. In 2024, sick leave and annual leave data remains stable with slight improvements in overall sick leave numbers. Nevertheless, with wellbeing concerns showing in the engagement survey results and workforce uncertainties for 2025 and beyond, direction of travel remains increasing and monitoring workforce capacity and wellbeing remain key priorities. Heightened prioritization and strategic workforce planning remain critical to manage the expected increased demands and complexities in 2025 and beyond. Robust scenario plans are being built to anticipate challenges and identify mitigations.

* Status reflects the aggregate of planned actions that are monitored separately.

22 Reputation (Risk Owner: ERCD)

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.

Residual Risk	■ HIGH	Direction of Travel	STEADY →
Global Fund Ability to Mitigate	MODERATE		



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.



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.



Planned response – On Track *

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.



Outlook

While the risk level is High, it is managed, and the direction of travel is currently steady given the current and planned responses. However, the risk may be influenced as the Global Fund approaches replenishment and navigates the transition following the C19RM funding.

* Status reflects the aggregate of planned actions that are monitored separately.

Annex: Glossary of Terms

Abbreviation	Definition
AFC	Audit and Finance Committee
AI	Artificial Intelligence
ALM	Asset-Liability Management
AMA	Agreed Management Action
API	Active Pharmaceutical Ingredient
ARV	Antiretroviral
ASP	Additional Safeguard Policy
AU-ALM	African Union - AIDS Watch Africa Leaders Meeting
B47	Board Meeting 47
BDB	Breaking Down Barriers
BMGF	Bill and Melinda Gates Foundation
C19RM	COVID-19 Response Mechanism
CCM	Country Coordinating Mechanism
CRO	Chief Risk Officer
CSO	Civil Society Organization
DHF	Domestic Health Financing
DP	Decision Point
DRC	Democratic Republic of Congo
eLMIS	Electronic Logistics Management Information System
ERCD	External Relations and Communications Division
ERP	Enterprise Resource Planning
FRM	Fraud Risk Management
GC	Global Fund's Replenishment Cycle
GDF	Global Drug Facility
GF	Global Fund
GLC	Grant Life Cycle
GMD	Grant Management Division
GOS	Grant Operating System
HIV	Human Immunodeficiency Virus
HTM	HIV, Tuberculosis, and Malaria
ICSC	In-Country Supply Chain
IJM	Internal Justice Mechanism
INGO	International Non-Governmental Organization
IRS	Indoor Residual Spraying
IT	Information Technology
ITN	Insecticide-Treated Net
IVD	In-Vitro Diagnostics
KMA	Key Mitigating Action
KVP	Key and Vulnerable Populations
LFA	Local Fund Agent
LLIN	Long-Lasting Insecticidal Net
M&E	Monitoring and Evaluation
MDR-TB	Multidrug-Resistant Tuberculosis
MFA	Multi-Factor Authentication
MQAS	Model Quality Assurance System
OE	Operational Efficiency
OIG	Office of the Inspector General
ORR	Organizational Risk Register
PFM	Public Financial Management
PMRD	Performance Management and Risk Division
PPC	Policy and Strategy Committee
PPE	Personal Protective Equipment

PR	Principal Recipient
PRC	Procurement Review Committee
PSA	Procurement Service Agent
PSEAH	Prevention of Sexual Exploitation, Abuse, and Harassment
Q2	Second Quarter
RDT	Rapid Diagnostic Test
RSSH	Resilient and Sustainable Systems for Health
SEAH	Sexual Exploitation, Abuse, and Harassment
SI	Strategic Initiative
SIID	Strategic Initiatives and Innovative Financing Division
SO	Supply Operations Division
SR	Sub Recipient
SSA	Sub-Saharan Africa
TB	Tuberculosis
TERG	Technical Evaluation Reference Group
TRP	Technical Review Panel
TSS	Targeted Software Standards
UHC	Universal Health Care
UN	United Nations
UNITAID	International Drug Purchasing Facility
VCP	Vector Control Product
WHO	World Health Organization
WMS	Warehouse Management System

Annex 2: Key risk management progress and metrics

Risk management tools

Building on the successful launch of the updated Integrated Risk Management (IRM) tool in early 2023, significant progress has been made this year in strengthening risk analysis and portfolio analytics to better inform risk management decisions. Leveraging the enhanced data capabilities introduced last year, a range of analytical dashboards has been developed (more than 20), facilitating faster triangulation between risk ratings and various indicators. This allows for quicker ad-hoc reporting and more efficient analysis of different sets of data. Additionally, the establishment of the Programmatic Monitoring Department has further enhanced this capacity by integrating programmatic analysis with broader risk considerations, thereby enabling proactive identification of emerging risks and driving problem-solving efforts. Together, these developments have significantly improved the quality and rigor of risk analysis, offering timely and valuable insights for informed decision-making.

Country risk management

As part of the initiative to promote a risk-aware culture, the Risk team has revised key documents and developed new tools. The guidance on assurance activities has been updated, and a comprehensive assurance toolkit has been created to provide Country Teams with consolidated resources for effective program management. Additionally, the standard operating procedures for country risk management have been revised to reflect recent changes, ensuring that the Country Risk Management Team operates efficiently and with a unified vision.

In response to the shift in portfolio prioritization and differentiated risk engagement, the **Risk Department has organized four remote drop-in clinics** since the beginning of the year. These clinics offer Country Teams and second-line functions support and guidance from the Risk Team. They clarify timelines and expectations for Country Risk Management Memorandums (CRMMS) and Country Portfolio Reviews (CPRs), provide updates on the Integrated Risk Management (IRM) system, offer tips for improving the quality of Key Mitigating Actions (KMAs) and assurance activities, and address participant questions in an open forum.

Risk assessments for High Impact and Core countries are ongoing as part of country portfolio reviews and CRMMS. So far, **15 countries have been reviewed, representing a 50% increase compared to 2022**. In August alone, 4 additional countries were reviewed, with 8 more pending. Execution of key mitigating actions remains a top priority for risk management. Although the completion rate for June to date is only 29%, efforts across the Secretariat continue to drive focus and improvement.

Business process risk management

The Risk Department continues to enhance its business process oversight role. Early in 2024, the Business Risk oversight procedure was updated to expand its monitoring of business processes and oversight of the internal controls system. The “Key Business Process Review” (KBPR), which assesses the adequacy of internal controls based on the five components and 17 principles of the COSO Internal Control – Integrated Framework, remains a central oversight mechanism. This role has been further expanded to include targeted reviews of key process controls to ensure they are present and functioning effectively, as well as process control monitoring. This includes maintaining oversight of exception reporting, other control monitoring activities conducted by the first line, and coordinating incident response and reporting on organizational incidents stemming from internal control deficiencies.

Annex 3: Relevant past Board decisions

Relevant Past Decision Point	Summary and Impact
GF/B50/DP03: Amendments to the Risk Appetite Statements (November 2023) ⁴	<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>
GF/B49/DP04: Amended Risk Appetite Statements (May 2023) ⁵	<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>
GF/B32/DP11: Approval of the Risk Management Policy (November 2014) ⁶	<p>Based on the recommendation of the Finance and Operational Performance Committee, the Board approves the Risk Management Policy, as set forth in Annex 3 to GF/B32/13.</p>

⁴ <https://www.theglobalfund.org/kb/board-decisions/b50/b50-dp03/>

⁵ <https://www.theglobalfund.org/kb/board-decisions/b49/b49-dp04/>

⁶ <https://www.theglobalfund.org/kb/board-decisions/b32/b32-dp11/>

Annex 4: Relevant past documents and reference materials

[Recommendation on Adjustment to Risk Appetite Statement -- B50 \(November 2023\)](#)

[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 Report and CRO Annual Opinion \(April 2024\)](#)

[An overview of risk management at the Global Fund Reference Document \(March 2024\)](#)