

# Risk Management Report and Assurance Statement

GF/B35/23

Board Information

PURPOSE: To provide the three Committees and the Board with the first assurance statement and updated management report for Risk.

# I. Executive Summary

1. The Global Fund has the goal of advancing the maturity of risk management to one where risks are explicitly considered in all activities and decisions are taken consistently per agreed-upon principles in order to facilitate effective achievement of strategic objectives. To date, the Global Fund has put in place the policies, tools, and processes needed to operationalize the core components of enterprise risk management: (i) risk culture, (ii) risk differentiation, (iii) risk management processes that facilitate risk identification and prioritization, mitigation, assurance, monitoring and control; (iv) governance and oversight; and (v) systems and tools. It is now poised to evolve towards a more mature, actively managed risk management approach.

2. The Acting Chief Risk Officer (Acting CRO) and the Secretariat share the view that the present state of governance, risk management and internal controls has advanced beyond an initiated state, as referenced in the OIG 2015 Opinion, and is on its way towards an embedded state. The Acting CRO believes there is a need for the Global Fund to materially step up its efforts to achieve a robust level of enterprise-wide risk management. There is a series of initiatives under way to achieve this:

- a. The Global Fund's resource and staffing allocations are being realigned according to risk and impact through the Differentiation for Impact project.
- b. Risk management tools are being consolidated and integrated, and controls are being automated through the Accelerated Integration Management (AIM) project.
- c. The Risk and Assurance pilots, whose objective has been to strengthen the way in which assurance is obtained in the grant portfolio, are on schedule to be concluded by mid-2016, and the resulting approach will be rolled out in a differentiated manner starting the second half of the year.
- d. The Secretariat is continuing its focus on the OIG Agreed Management Actions (AMAs).

In addition, new initiatives aimed at strengthening the second line of defense are being initiated:

- e. The Risk Department is adjusting its engagement model vis-à-vis grants to one of early and continuous engagement and formalized oversight.
- f. In parallel, a gap analysis is currently being conducted to identify opportunities for enhancing regularized monitoring of compliance against the processes as designed.
- g. An Enterprise Risk Committee (ERC) has been constituted within the Secretariat in order to provide a forum for senior management to proactively identify emerging enterprise-wide risks and evaluate the adequacy of mitigants.<sup>1</sup>

This and future Risk Reports provide updates on these initiatives.

3. The Acting CRO is confident that, as long as senior management maintains its present focus and commitment, the agenda set for 2016 on these matters is appropriate and achievable and risk management will advance at an optimal pace. Given the Global Fund's business model, embedding material changes such as this will take time and the journey will be iterative.

4. The Global Fund has prioritized and is taking action on a multitude of risks ranging from risks to the global fight against the diseases to institutional-level risks. The majority of the risks senior leadership has prioritized are external and grant-related. The ERC's oversight should result in more concrete mitigants to ameliorate these risks, however, meaningful shifts on these matters will ultimately require time as well as a concerted commitment and a leadership step-up by partners. The Secretariat has also identified and prioritized several internal risks relating to internal controls, compliance and the second line of defense. As effective mitigation over these issues is within the Secretariat's control, milestones have been set and a systematized process of tracking progress is in place.

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<sup>1</sup> "Mitigants" are mitigating actions or mitigating measures.

5. The Acting CRO wishes to highlight the following areas where attention towards potential risks may be particularly timely and therefore relevant going into the 35<sup>th</sup> Board Meeting in April 2016: strategy implementation risk; risk of replenishment; and drug and insecticide resistance. While they are risks to the Global Fund, they are more importantly risks to the global fight against the three diseases and will therefore require close monitoring, proactive coordination with partners, and the flexibility to respond with immediate course corrections should the need arise. The Board's assistance will be critical to stimulate partners to take the lead where the Global Fund's contribution potential is limited, as is the case with the implementation of certain strategy objectives and with drug and insecticide resistance.

## II. Vision and Road Map

### 01 Goals

6. The Global Fund has the goal of advancing the maturity of risk management to one where risks are explicitly considered in all activities and decisions are taken consistently per agreed-upon principles in order to facilitate effective achievement of strategic objectives.

7. An effective Risk Management Framework has the following elements:



- a. **Risk management:** A consistent practice of risk management follows the following analytical path: (1) **Identify and prioritize risks:** Risks that are most likely to bear a negative impact on the organization's mission are identified and then undergo rigorous prioritization. (2) **Concretize mitigation actions:** For key risks that can be meaningfully decreased, attention is focused on designing and tracking the optimal mitigation actions; prioritization is critical to drive focus and facilitate the development of concrete and actionable mitigation actions. This, in turn, will drive accountability and ensure that residual levels of key risks materially decrease over time. (3) **Obtain robust assurance:** Assurance activities are tailored towards tracking progress made on mitigating actions and robustness of the control environment, thus maintaining an independent and probative view over the key risks and progress made to manage them. (4) **Monitor and Control:** As is the case with all structured processes, compliance with key controls, quality, and results needs to be regularly monitored and reported.
- b. **Risk culture:** An environment in which every employee feels responsible for managing risk, has a consistent understanding of the principles on which the Global Fund agrees to differentiate its approach to risks, is able to **identify and prioritize** risks, is empowered and encouraged to **escalate** these risks, and possesses the courage and the management support to **debate and decide** on the way forward.
- c. **Risk differentiation:** A set of clearly articulated principles on differentiating the institution's approach to risk which are understood and agreed upon not just within the Secretariat, but also with the OIG, in-country partners, other stakeholders, the Board and its Committees.

d. **Risk governance and oversight:** At the enterprise level, a structured, senior-level process that (i) is clear and enables efficient and consistent decision making, (ii) facilitates aggregation and reporting of enterprise risks, (iii) enables identification and mitigation of cross-cutting themes, (iv) ensures alignment of strategy to risk principles/resources, and (v) monitors adherence to policies/procedures.

e. **Systems/tools/processes** that are integrated and enable good risk management.

8. **Roles and responsibilities of lines of defense:** Delivery of the Risk Management Framework is achieved through three lines of defense who have clear roles and responsibilities. In the grant management context, the Grant Management Division is the first line of defense, and therefore it is responsible for grant risk management. The Risk Department, as a key component of the second line of defense, defines all of the elements of the Risk Management Framework, provides risk oversight over the first line of defense's activities, and leads enterprise-wide risk identification and reporting. The OIG and the external auditor comprise the third line of defense.

## 02 Operationalization

9. To date, the Global Fund has put in place the policies, tools, and processes needed to operationalize the core components of Risk Management Framework. It is now poised to evolve towards a more mature, actively managed risk management approach. To operationalize this evolution the Secretariat, including the Risk Department, have undertaken several joint initiatives. This and future Risk Reports provide updates on these initiatives.

10. **Operationalizing a risk-based approach through the Differentiation for Impact project:** The Differentiation for Impact project is devising a framework for adapting and aligning the Global Fund's workforce and processes towards those countries with greatest need and with greatest potential for impact. The differentiation framework is therefore anchored in several factors such as process needs, impact, size of funding, the external risk environment, and potential for regional synergies. The project is currently working on defining the coverage model across the differentiated categories. Flexibilities and adaptability will be maintained within each category, and the possibility of tailoring processes and requirements for each country will take into account standard quantitative and qualitative criteria, risk and contextual circumstances. The Risk Department's approach relating to the grant life-cycle will also be tailored according to the engagement model defined under the Differentiation for Impact Framework in order to match the level of effort requirements established by the framework.

11. **Embedding risk through the Accelerated Integration Management (AIM) project:** The successful execution of project AIM will further integrate risk management throughout the grant lifecycle and help to establish a robust control environment within the Secretariat. This work includes the consolidation and integration of existing risk management tools, the development of an IT-enabled central repository for ongoing tracking of all mitigating actions, the creation of a dynamic mapping tool to capture the implementation arrangements within each country portfolio, as well as embedding risk management data and analysis from these tools into revised grant documents and templates from Concept Note submission through to grant closure.

12. **Rolling out the assurance planning process:** The Risk and Assurance pilots, whose objective has been to strengthen the way in which assurance is obtained in the grant portfolio, are on schedule to be concluded by mid-2016, and the resulting approach will be rolled out in a differentiated manner starting the second half of the year.

13. The Risk and Assurance Project aims to improve how the Secretariat plans, obtains and uses assurance. The reforms have been piloted since early 2015, and three pilot countries (Somalia, Sudan, and Zambia) concluded their assurance plans at the end of the year. The final three pilots (Ethiopia, Cambodia and Indonesia) are under way and scheduled to be completed by Q2 2016. As is inherent to the piloting approach, each pilot has helped to hone the analytical methodology for assurance planning, and therefore the quality and completeness of the pilots' assurance plans reflects this evolution. The Risk Department expects

that at the conclusion of the remaining three pilots, the assurance planning methodology, processes, and tools will be adequately mature to initiate roll out.

14. Over the course of rolling out the pilots, the approach has been streamlined into a four-step assurance planning process and integrated with other risk management tools and processes (see Annex 2 for the description). This is resulting in a prioritized set of risks, more concrete mitigating actions, explicit evaluation of assurance providers, and a focus on leveraging in-country partners for obtaining assurance. The resulting assurance plan is validated in-country, thus creating an opportunity to obtain buy-in with country-based implementers, partners, beneficiaries and other stakeholders.

15. Once the pilots are finished, the assurance planning process will be rolled out based on a differentiated approach throughout the grant portfolio in the second half of the year. The Risk Department will set the operating procedures and tools for assurance planning and prepare staff through a standardized training program. In parallel, there will be a gradual transfer of ownership for implementation of assurance plan roll-out and ongoing implementation to the Grant Management Division. The Risk Department, through its adjusted engagement model and oversight role, will continue to monitor the quality of the plans and their compliance with procedures.

16. **Enhancing focus on OIG Agreed Management Actions (AMAs):** Over the past few months, there has been a concerted effort by the Secretariat, especially Grant Management, to remediate outstanding AMAs. As mentioned in the OIG's report, even though the past due AMAs have increased, partly because many AMAs have a year-end deadline, the total open AMAs have reduced. The successful completion of strengthening the second line of defense, the Risk and Assurance Project, and the AIM and Differentiation initiatives will materially impact both the current outstanding AMAs and also, over time, reduce the inflow as issues are identified early and resolved.

17. **Changing the Risk Department's engagement model:** A concerted effort is presently under way to strengthen the second line of defense functions, including the Risk Department. The Risk Department is adjusting its engagement model vis-à-vis grants to one of **early and continuous engagement** and formalized oversight. Using a **differentiated** approach across the country portfolio, the Risk Department will independently participate in grant decision-making processes, serving as a control at key decision points. Risk Department oversight will be achieved through **in-country visits and regular tracking of key risks, mitigation actions, and assurances** throughout the entirety of the grant life cycle. This will allow the Risk Department to develop a well-informed, independent perspective on risks and the ability to influence the risk management processes/decisions on a real-time basis. This will result in better prioritization of risks and more concrete mitigating actions at the grant level, thus affecting meaningful change in the field.

18. This revised engagement model is currently being socialized with the Country Teams and other stakeholders and is expected to be rolled out in a phased manner throughout 2016. In addition to Grant Management, risk oversight will also be enhanced over the Sourcing and Treasury functions, as they are key functions within the Secretariat. The Risk Department will leverage the AIM Project to set up a system of monitoring compliance with risk processes, reporting on exceptions, and feeding back lessons learned to track progress. Operationalization of the new engagement model requires an expansion of the current staff count and an adjustment of the expertise profiles of the team. This is also currently under way.

19. **Strengthening internal controls and the second line of defense:** The international COSO framework for risk management and internal control has been used as a benchmark to assess gaps and strengthen internal controls at the Global Fund. Twenty core processes critical to achieve the mission and strategic objectives of the Global Fund have been identified and prioritized subject to a comprehensive internal control review. To date 12 (60%) of those have undergone a thorough Risk & Control assessment which led to strengthening of internal controls for COSO compliance. Grant Management processes will be reviewed for COSO compliance as part of the AIM project. In parallel, a gap analysis is currently being conducted to identify opportunities for enhancing regularized monitoring of compliance against the processes as designed.

20. **Introduction of the Enterprise Risk Committee to better manage risks:** In January 2016, the MEC agreed to create the Enterprise Risk Committee (ERC) in order to provide a forum for senior management

to proactively identify emerging enterprise-wide risks and evaluate the adequacy of mitigants. The Corporate Risk Register will henceforth reflect the outputs of managerial decisions.<sup>2</sup> In addition, the ERC will ensure that appropriate assurance is in place to monitor implementation of mitigants, including overseeing implementation of the Risk and Assurance project and other related initiatives.

21. The ERC streamlines the risk governance process by replacing the Risk and Assurance Committee (RAC) and integrating with the work of the Operational Risk Committee (ORC). The ERC is chaired by the CRO and the Chief of Staff, and it meets monthly.

22. **Revision of the Enterprise Risk Management Framework:** All adjustments to the risk management approach and the consensus achieved within the Secretariat will be reflected in an updated Enterprise Risk Management Framework document. As is the case for the current Risk Management Framework which the Board reviewed in November 2014,<sup>3</sup> the updated Framework will (i) outline the desired risk culture; (ii) define the elements of the risk management process; (iii) clarify roles and responsibilities of the three lines of defense, including risk owners; (iv) define risk principles, including differentiation; and (v) define the internal governance framework. Updates will be shared with the Board and its Committees for information.

### 03 Risks to Successful Operationalization

23. **Continued focus and buy-in from Secretariat:** At present, senior management has united around a common vision for strengthened risk management. There is significant support for and willingness to make adjustments, differentiate, and create space for a strengthened second line of defense. This level of commitment will need to be sustained and enforced consistently in order to operationalize the initiatives described above. The support of the Board will be critical in further consolidating the commitment required to maintain the requisite momentum.

24. **Inherent risks:** The effort to embed meaningful risk management into the Global Fund's operations needs to be seen in the context of the inherent limitations of the Global Fund's business model. The Global Fund will remain a financing institution with no in-country presence in extreme to high-risk environments with weak health systems. It will therefore remain reliant on in-country partners, implementers, and the principle of country ownership. Embedding of material changes such as this will take time and the journey will be iterative. A well-defined risk tolerance is also critical for embedding risk management because it forms the yardstick by which the Global Fund is able to consistently prioritize and make risk-based decisions.

## III. Key Enterprise Risks

25. The Secretariat has begun to use the newly constituted ERC to establish a risk governance process to focus on a set of priority enterprise risks and to evaluate the appropriateness and timeliness of mitigants set against them. The majority of prioritized risks are external and grant-related (such as program and data quality risk; substandard quality of health products; treatment disruptions; and sustainability and transition risk) and this focus is appropriate given the Global Fund's mission. The ERC's oversight should result in more concrete mitigants to ameliorate each of the above, however meaningful shifts on these matters will ultimately require time, coordination, and a leadership step-up by partners.

26. The Secretariat has also identified and prioritized several internal risks, including inadequate oversight from the second line of defense; weak internal processes, systems and tools; and inadequate grant oversight and compliance. As effective mitigation over these issues is within the Secretariat's control, milestones have been set and a systematized process of tracking progress is in place.

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<sup>2</sup> See Annex 3 for most recent Corporate Risk Register.

<sup>3</sup> Under Risk GF/B32/DP11: Approval of the Risk Management Policy (November 2014), the Board approved a comprehensive risk management policy, replacing the previous one from 2009.

27. The Secretariat-wide initiatives outlined above comprise some of the core mitigants for both internal and external priority risks. A project management team has been tasked with tracking progress and ensuring coordination. However, in most cases, since the mitigation entails systemic change, the actions are long-term in nature and the Secretariat needs to continue to be vigilant and prepared to put in short-term fixes, if possible, should the need arise.

28. The Acting CRO wishes to highlight the following risks as particularly timely and therefore relevant to this Board meeting. While they are risks to the Global Fund, they are more importantly risks to the global fight against the three diseases and will therefore require close monitoring, proactive coordination with partners, and the flexibility to respond with immediate course corrections should the need arise:

- a. **Strategy Implementation Risk:** The proposed strategy for 2017-22 places increased focus on a number of areas such as Resilient and Sustainable Systems for Health, Human Rights and Gender Equality, and Challenging Operating Environments. As these areas target global public health-level challenges, successful delivery of this multifaceted strategy is heavily dependent on the commitment and active leadership of partners. The construction and operationalization of an equally multifaceted delivery platform will be vital for the achievement of these strategic objectives. The platform includes: (i) policies and procedures, (ii) a strategic implementation plan with KPI's that enable ongoing monitoring and course corrections, (iii) a differentiated delivery model with alignment between all key stakeholders on the model and the inherent risks, and (iv) adequate staffing/resources. The Global Fund will therefore need to maintain a dedicated focus on strategy implementation, including tracking delivery against milestones. The Board's assistance also will be critical to stimulate partners to take the lead where the Global Fund's contribution potential is limited.
- b. **Risk to 5th Replenishment:** In the current economic and political environment, fundraising is challenging, which might put replenishment targets at risk. Factors include increasing unrest in the Middle East and other COEs, the refugee and migrant crisis, slow economic growth at the global level which is affecting traditional GF donors, and Sustainable Development Goals (SDGs) not providing the same level of political prioritization for AIDS, TB and malaria as in the MDG era, all of which could result in changing priorities for donors. While appropriate mitigating actions are in place, including active outreach to existing and potential donors, heightened vigilance around external communications/press and ensuring the Strategic Plan appropriately embeds the SDG agenda and linkages to SDGs goals, there is a need for continued focus as the global political and economic volatility continues while the Global Fund is entering into the critical phase of replenishment over the next few months. The immediacy of the risk limits the Global Fund's ability to take corrective action, should something unforeseen happen.
- c. **Drug and insecticide resistance (TB, Malaria, and HIV):** Of particular concern is the steadily increasing global public health threat of increasing drug and insecticide resistance due to poor quality programs, incorrect diagnosis, inappropriate use of drugs leading to increased mortality, propagation of drug-resistance and reversal of gains. While the Global Fund has (i) initiated some long-term and systemic initiatives to mitigate against this risk such as the Regional Artemisinin Initiative (RAI) and (ii) enhanced focus on program quality, the evidence of increasing resistance indicates the scale of the challenge is much greater. More needs to be done, and quickly. This matter again requires concerted collective focus across global health partners who are presently in the lead on this matter.

29. An emerging risk that will require ongoing monitoring is that of implementers shifting resources away from public health in the context of an uncertain geopolitical environment combined with the increasing likelihood of a global economic slowdown. These forces could put pressure on the implementers' fiscal space and divert their attention from health. Partner vigilance will be required to identify such trends so that a collective response can be prepared as early as possible.

**30. Update on grant-specific risk differentiation:**<sup>4</sup> At present, the Global Fund uses thresholds set for the average and the range of acceptable grant-related risk using the Portfolio Risk Index (PRI). Setting guidelines for risk differentiation helps to ensure that risks are neither over- nor under-managed, and scarce resources are effectively utilized. Reducing risk involved in the pursuit of an objective usually involves incurring costs; conversely exceeding risk thresholds exposes the organization to a greater than acceptable probability that key objectives will not be achieved. Following this logic, grants that are rated outside the acceptable range of the PRI are subject to a higher level of management scrutiny. During 2015, only one grant was above the PRI threshold. As of December 31, 2015, portfolio quality, as defined by the PRI, was stable with a value of 1.9 and was well within the Board-approved thresholds. The risk differentiation framework will be enhanced during the year as the Differentiation for Impact project is completed.

## IV. Acting Chief Risk Officer's Assurance Statement

31. The OIG issues an annual opinion on the state of governance, risk management and internal control processes at the Global Fund, and whether they are likely to ensure that the organization's operational and strategic objectives will be met. In December 2015/January 2016, the Risk Department facilitated and led a discussion with the senior leadership to formulate a Secretariat view on the present state of governance, risk management and internal controls, and on what it should be, recognizing that the highest level of optimization does not necessarily need to be achieved in all respects. This was done using the OIG opinion's rating scale with six choices: optimized, actively managed and formalized, embedded, initiated, ad hoc, non-existent. The definition of the ratings is provided as Annex 1.

32. The Secretariat concluded that currently the state of governance, risk management and internal controls within the Global Fund is between 'initiated' and 'embedded'. The Secretariat also concluded that there is clear progress in the trajectory towards improved maturity as compared to the 2015 OIG opinion, where the overall rating was 'initiated'. The Secretariat's vision is to attain an overall maturity of level of 'actively managed and formalized' over the medium term. Given considerations such as value for money and contextual factors such as the external environment, senior leadership agreed that aiming to achieve an overall 'optimized' state will not be appropriate. That said, it is likely that some of the processes in areas such as financial management may well achieve a level between 'formalized' and 'optimized'.

33. The Acting CRO concurs with the Secretariat's view, basing his opinion on the Risk Department's 2015 work which included: (i) monitoring the quality of grant-level risk assessments; (ii) reviews of documentation presented to the GAC II for grant signing; (iii) in-country risk assessment reviews; (iv) the COSO reviews of key corporate processes; (v) the quarterly Corporate Risk Register update process; and (vi) lessons learned from the Risk and Assurance pilots. The initiatives under way since 2015, (i.e. Differentiation, AIM, and Risk and Assurance) as well as the ones recently introduced, (i.e. embedding of risk management processes, clarifying roles and responsibilities, changing the Risk Department's engagement model, and establishment of the ERC) reflect the Acting CRO's evaluation that there is a need for the Global Fund to materially step up its efforts to achieve a robust level of enterprise-wide risk management. The Acting CRO is confident that the agenda set for 2016 on these matters is appropriate and achievable and that it will advance risk management at an optimal pace. Effective internal monitoring of these initiatives will help in mid-course corrections to ensure positive movement in the trajectory.

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<sup>4</sup> This paragraph provides the required update on the operationalization of the Risk Differentiation Framework, which the Board approved under GF/B32/DP12: Applying Risk Differentiation (November 2014).



## Annex 1. Organizational maturity scale

Rating	Definition
Optimized	Internal controls, governance and risk management processes are optimized to ensure that the organization's operational and strategic objectives are met.
Actively managed and formalized	Internal controls, governance and risk management processes are actively managed and overseen with clear lines of accountability. Decision making is based on reliable data sets with sufficient due diligence, leading to assurance mechanisms that are robust and fit for purpose to enable the organization's operational and strategic objectives to be met.
Embedded	Internal controls, governance and risk management processes have been defined and are embedded in everyday management practice. However, there is insufficient close supervision or active management of these processes and/or they are not consistently measurable. It is likely but uncertain that they will allow the organization's operational and strategic objectives will be fully met.
Initiated	Internal controls, governance and risk management processes have been defined through institutional policies approved by executive management and/or the Board. However, they are not applied consistently and are not fully embedded in everyday management practice. They are unlikely to ensure that the organization's operational and strategic objectives will be fully met.
Ad hoc	Internal controls, governance and risk management processes are inchoate or ad hoc. They have not been fully defined and/or not approved by executive management or the Board. Processes are insufficient to ensure that the organization's operational or strategic objectives will be met.
Nonexistent	Internal controls, governance and risk management processes are absent.

## Annex 2. Progress Report on Risk and Assurance Pilots

The assurance planning process is now a four-step process comprised of two workshops with all relevant risk owners (e.g. technical hubs, programmatic, data, supply chain, finance, and Country Team), an in-country mission, and a final risk owner meeting to conclude on the plan. The logic underpinning assurance planning can be broken down into the following steps:

- a. **Prioritize risks:** Operational risks for the country portfolio are now subjected to a rigorous prioritization exercise spanning across functional areas in which a focused set of key risks is identified, while other risks are intentionally deprioritized.
- b. **Concretize mitigation actions:** The quality of mitigation actions applied to prioritized risks is receiving increased attention, ensuring that mitigations are consistent with and appropriate to the risk level, actionable and assure-able, drawn from best practice whenever possible, and include milestones to ensure monitor-ability. Progress on mitigation milestones is to be tracked over time through the assurance plan.
- c. **Map most appropriate providers and means of assurance to mitigation actions:** Potential assurance sources, which include implementers themselves, surveys and studies (e.g., the Health Facility Assessment), in-country partners, community monitors, national auditors, fiduciary agents, and the LFAs are examined for their reliability and mapped to the mitigation actions requiring assurance based on a best-fit basis, taking into consideration independence, level of probity, and value for money.
- d. **Validate the resulting assurance plan through discussions with country-based implementers, partners, beneficiaries and other stakeholders:** The realism and action-ability of the draft assurance plan is checked in country prior to finalization. The Country Team travels in-country with the Risk Department with the dual objectives of (1) aligning partners and implementers around an agreed upon set of risks and mitigation actions as well as agreeing on respective assurance roles; and (2) allowing the Risk Department to validate the analysis.

## Annex 3. 2015 Q4 Corporate Risk Register

Risk Type	#	Risks	Risk Owner	Existing Risk Mitigations in place	Residual Risk	Current Direction of Travel	Status/ Progress in Q4 until Feb 15, 2016	Additional or improved Risk Mitigations planned/ needed	Target Risk
Strategic Risks (SIIC)	1	<b>Impact/ Mission Risk:</b> Low impact in high disease burden countries (concentrated portfolio), key populations and hard-to-reach communities could negatively impact our mission.	GMD	(1) Structured risk management approach in place for high impact and high risk countries.  (2) Priority countries: Increased focus on implementation and oversight at sub-national levels; improved alignment with and greater reliance on partners for strategic program development, data collection and monitoring and evaluation; improved ongoing grant management controls with these countries receiving greater management time and scrutiny, including at the highest levels.	High	→	<b>On track</b>  Differentiation project launched which should allow for resources to be increased where most needed and for even greater engagement at country state/ regional level in 3 most critical countries.  ITP project initiated mobilizing partners to jointly address implementation bottlenecks.	(1) Successful implementation of differentiation project will increase focus on high impact/disease burden/key populations and direct resources to this group (streamline approach for small, low risk countries).  (2) Implementation Through Partnership (ITP) and Supply Chain projects are prioritizing High Impact portfolios to ensure political leadership, increased domestic funding, improved implementation support and oversight.  (3) Roll-out of the Risk Engagement model vis-à-vis grants to one of early and continuous engagement and formalized oversight with initial focus on the High Impact Countries.  (4) Systematic targeting of investments to key and vulnerable populations and locations most affected by the 3 diseases and high impact interventions tailored to country context. In high disease burden countries focus at sub-national level, and engagement of communities for improved access, more effective implementation and monitoring while building sustainable health and community systems.  <b>Timeframe to achieve target risk: 3-5 years.</b>	Medium
	2	<b>Sustainability and Transition Risk</b> Countries are unable to sustain impact without further Global Fund support due to lack of political commitment & prioritization (in particular concerning highly stigmatized key populations) and/or poor health systems which may lead to reversal of gains. a) Programmatic Sustainability b) Financial sustainability (domestic funding)	Policy, ER, SIID, GMD	(1) Working with World Bank, PEPFAR, GAVI and other partners on sustainability planning (2) 12 transition cases reviewed with critical findings which informed new policy and guidance document and implementation in EECA and LAC. (3) Transition readiness assessment completed for TB and HIV (Malaria still outstanding) and being rolled out to transitioning countries. (4) Compliance monitoring of Counterpart funding requirements for new grants. (5) Advocacy for domestic financing continued for priority countries with Civil Society partners (from both donor and implementing countries) to put pressure on implementing partner governments.	High	→	<b>On track</b>  Focus on sustainability and transition embedded in the new strategy framework.  Transition readiness assessment completed for HIV and TB. - Guidance provided to country teams preparing for transition based on lessons learnt.  New policy drafted and internally approved.	(1) Develop and operationalize new Sustainability, Transition and Co-Financing Policy to provide guidance for effective transition planning and monitoring of implementation with partners and incentives for increased domestic funding for Board approval in April 2016.  (2) Establish a Sustainability/Transition support team to enhance coordination and adoption of best practices.  (3) Launch and support multi-partner collaboration including WB for joint Health Financing Strategies (Q2 - ongoing).  (4) Complete analysis on projecting transition countries (end Q2 2016).  <b>Timeframe to achieve target risk: 2-3 years.</b>	Medium
	3	<b>Resilient and sustainable systems for health (RSSH)</b> Weak public health and community health systems/capacity and ineffective/inadequate RSSH investments negatively affect service coverage and quality, system's efficiency, sustainable impact of the disease programs and lower the preparedness levels to effectively respond to disease outbreaks and spread of epidemics.	SIID	(1) Resilient health system strengthening included in new draft strategy framework as key pillar based on wide consultations. Considering better integration in SDG agenda and wider health impact with GF investments and improved coordination with strategic partners at global level.  (2) Increased focus on HSS/ CSS data collection and analysis. Global Fund invests approx 40% of funds in RSSH  (3) Increasing trend noted in new grants under NFM being signed including GF investment in DHIS, supply chain and human resources capacity strengthening.  (4) Independent evaluation by TERG on HSS conducted which is positive about Global Fund investment in RSSH.	High	→	<b>On track</b>  RSSH included in new strategic framework.  Draft guidance document on RSSH completed.	(1) Improving technical guidance and funding processes for community responses.  (2) Development of robust systems for community level monitoring and feedback on programmes.  (3) Supply chain project and Program and Data Quality for Impact initiatives.  (4) Strengthen/ institutionalize partnerships in RSSH contributing to UHC objective and establish systematic coordination of effective RSSH investments and TA in countries (WHO, WB, GFF, GAVI, etc).  (5) Strengthen incentives and advocacy for increased domestic funding (matching of funds).  <b>Timeframe to achieve target risk: 2-3 years.</b>	Medium
	4	<b>Human rights and Gender Inequality</b> Human rights barriers (such as the legal and political framework in country, and/or socio-cultural aspects) leading to hindered access to quality health services for key and most vulnerable populations resulting in low impact. Young women and adolescent girls in particular vulnerable due to economic and social inequality.	SIID	(1) CRG Information Notes and guidance are in place.  (2) Implementation of the Removing Legal Barriers module, human rights capacity building at the Secretariat level, closer collaboration with key technical partners and active engagement of CRG advisors in a number of countries led to some increased GF investment in removing legal barriers under new grants.  (3) New Minimum Standards included in grant agreements and OIG receives human rights complaints as part of OIG whistleblowing procedure.  (4) CRG issues- human rights, gender, key populations and community- are included in new draft strategy framework as key pillars based on wide consultations.	High	→	<b>On track</b>  CRG issues- human rights, gender, key populations and community- included as key pillars in new strategy framework based on wide consultations.  New Women and Girls project (SAGE) launched.	(1) Provide clear guidelines and on-going trainings to promote increased and targeted investment and effective embedding of human rights and gender in national programming and regional grants for internal and external stakeholders.  (2) Successful implementation of the SAGE (Strategic Actions for Gender Equality) Project will drive focus to address gender and age inequities for improved access to quality health services across the three diseases and contribute to the wider achievement of the SDG agenda and UHC target.  (3) Establishment and support for a Regional Platform for civil society will increase advocacy and focus on community based monitoring.	Medium
	5	<b>Challenging Operating Environments (COEs)</b> No or limited health impact in COEs due to extreme external/contextual factors (chronic conflict, insecurity), weak governance/health systems and capacity, large populations with no access to basic health services, poor oversight, high human rights violations. COEs account for a third of the global disease burden for HIV, TB and malaria, and for a third of Global Fund investments.	Policy, GMD	(1) Use of flexible reprogramming and/or emergency fund for acute-crisis countries (e.g. Ukraine, Nepal, Sierra Leone).  (2) Other new innovative and flexible approaches have been promoted and approved by Senior Management and are being implemented or pursued (e.g. Middle East Regional Initiative).	High	→	<b>On track</b>  Innovative Middle East Regional Initiative targeting refugees has been initiated.  COEs have been prioritized in the 2017-2022 Strategic Framework.  COE Policy drafted and internally approved by Policy Committee/ MEC.	(1) Develop and operationalize COE Policy - High level policy enabling a tailored approach for Board approval in April 2016 and internal operational guidance including more flexible processes and risk tolerance (with clearly defined authority levels and escalation mechanisms) to be developed thereafter.  (2) Successful integration of COEs in the new differentiation model with focus on reaching key affected populations and most vulnerable (often mobile or living in remote or conflict areas) and systematized community based monitoring.  (3) TERG review of the Emergency Fund (Q1 2016) and documentation of best practices (Q2 2016).  (4) Creation of a COE Support Team and strengthening of Country Teams with expertise in COEs, to enable better engagement at country and regional level and expanded partnerships with humanitarian organisations, civil society and community based organisations to improve access and outreach, and ensure basic needs of key populations are met via effective integration with other interventions/ services.	Medium
	6	<b>Drug and Insecticide Resistance (TB, Malaria, HIV)</b> Threat of increasing drug resistance in TB, Malaria and HIV due to poor quality programs (non-adherence with WHO standards/ guidelines), incorrect diagnosis, inappropriate use of drugs in particular by private care providers leading to increased mortality and propagation of drug-resistance. For Malaria also risk of increasing insecticide Resistance (used in LLINs and IRS) leading to reversal of gains and serious public health challenge.	SIID, GMD	(1) WHO normative guidance in place  (2) Increased funding for MDR-TB under GF grants with particular focus on highest burden countries to help prevent further spread of MDR TB.  (3) Regional Artemisinin (RAI) programme funded in Myanmar/ Thai border with focus on Malaria elimination in the Greater Mekong Subregion.  (4) GF QA policy for pharmaceutical products in place aiming to prevent procurement of substandard drugs.  (5) GF is a member of the Innovation to Impact (I2I) initiative in vector control (comprising technical partners, academia, governments and industry) aiming to effectively address insecticide resistance and fostering innovation.	High	→	TB: WHO released updated policy for MDR TB including guidance to countries for introduction of new drugs and best practices covering all providers. MOU on GLC signed with WHO covering updated MDR TB high burden countries.  Use of appropriately dosed TB medicines for children to prevent ineffective TB treatment and drug resistant TB in children.  Malaria: ongoing - focus on optimization of vector control interventions and targeted HSS investment in surveillance system and local capacity building.	(1) Scale up of diagnostics & rapid testing and detection of malaria and TB/MDR-TB cases.  (2) Increase coverage for high risk populations including most vulnerable and migrants/ refugees, and improve quality of services of programs. Apply patient centred approach and close patient follow-up for improved detection and treatment adherence.  (3) Strengthen routine monitoring of Quality of Services and national/regional surveillance covering all health providers (public, private, communities): including regulation for private sector and trainings of health-care providers.  (4) Strengthen Supply chains and QA monitoring of quality of drugs and faster provision of available new quality drugs.  (5) Expand strategic regional interventions to address resistance such as the RAI grant.  <b>Separate SIIC paper being prepared in coordination with partners for SIIC review in March 2016 incorporating a joint partner response to address this challenging global health risk.</b>	Medium

	7	<p><b>Strategic Data quality and availability</b> Poor quality and/or unavailability of strategic results and impact data due to (a) poor in-country data systems, lack of disaggregated data for key populations/gender, and (b) weak GF internal data systems &amp; management may negatively affect accurate GF strategy development and realistic target setting, new allocation model as well as lead to poor in-country programming, national strategic planning and inability to make timely adjustments towards ending the 3 epidemics.</p>	SIID	<p>(1) Global quality standards for key interventions in place and being considered under Global Fund grants (grant making and monitoring of implementation). (2) Work-streams to address these issues include Risk and Assurance project and Program Quality Initiative.</p>	High		<p><b>On track</b> Strengthened impact modeling in 20 HI countries. Progress on Special Initiative on health data for impact with partners (Roadmap and priority actions agreed). Integration of strategic data in AIM underway.</p>	<p>(1) Rolling out the comprehensive and differentiated Program and Data Quality for impact initiative will lead to improved quality assurance mechanisms, reporting standards and accountability. (2) Effective implementation of AIM project including embedding of new strategic data needs resulting from the 2017-22 Strategic Framework and new KPI subject to Board approval in April 2016. (3) Effective strengthening of in-country HMIS and surveillance systems through targeted Global Fund support in grants.</p>	Medium
	8	<p><b>Partnerships</b> New or strengthened strategic partnerships, accountability and partner commitment at highest levels critical to fight the 3 diseases and address strategic risks will not be ensured at global and country levels (Implementer governments, technical partners, donors, civil society, private sector, humanitarian organizations in COEs) leading not achieving GF mission. New strategy: New partnerships supporting new areas in the new GF Strategy 2017-22, and an integrated approach to contribute to holistically achieve the SDG targets will not be ensured (opportunity risk).</p>	All MEC	<p>(1) Country Teams engage with partners on a country-by-country basis to address strategic and operational risks (2) Engagement of strategic partners at global level, several with formal partnership agreements (3) Performance based contract in place with WHO for targeted technical support under NFM with mid-term review currently being conducted. (4) New private sector partners via Innovation Hub.</p>	Medium		<p><b>Good progress/ on-going</b> ITP Initiative launched with focus on 20 priority countries facing low absorption of funds, aiming to effectively address current implementation bottlenecks ITP analysed and prioritised 20 country action plans incorporating country and partner feedback (inclusive) Leadership engagement through launch of Partnership Action Group (PAG)</p>	<p>(1) Strengthen and expand strategic partnerships at global, regional and country level supporting GF strategic objectives, including <i>new partnerships for effective integration in the SDG agenda</i> in line with the new strategic framework (UHC, Gender &amp; Human Rights, COEs incl. refugees, education, environment etc) and <i>to foster innovation</i>. (2) <i>Sustainability, Impact, HSS</i> - build or strengthen partnership with Implementer Governments at highest level (political leaders, Ministry of Finance and key ministries) in collaboration with strategic partners (WB, WHO, GAVI, bi-laterals). (3) <i>COEs and Human Rights</i> - expand or strengthen partnerships with humanitarian, human rights and civil society organisations operating in conflict zones and hard to reach areas, to effectively meet basic health needs of refugees, IDPs (internally displaced people) and other vulnerable populations currently unreached or left behind.</p>	Medium
	9	<p><b>Value for Money/ Cost-effectiveness</b> (1) Investment efficiency: Poor cost-effectiveness of strategic investment decisions (lack of selection and scale-up of most cost-effective evidence based interventions mix) (2) Procurement spending (50% of grant budgets) (3) Management of drugs (risk of expiry of drugs due to poor supply chain management, poor forecasting and consumption data) (4) GF OPEX and transaction costs of GF processes and operations (risk of inefficient GF processes and use of resources causing high transaction costs at Secretariat and country level for PRs, SRs, LFAs) These factors would lead to overspending or wastage of funds.</p>	Policy, SIID, FISA	<p>(1) Major focus on Country Dialogue, TRP and GAC review processes through use of optimisation models (majority of HI countries) and on-going grant monitoring and flexible reprogramming to optimize investments as new data/evidence comes up (2) Pooled Procurement Mechanism improved: lower prices and efficiencies achieved which led to expanded use of PPM across grants (60 countries, approx. USD1bn p.a.) (3) Availability of national forecasting committee in all HI countries and systematic annual forecasting review (4) Quarterly monitoring of OPEX expenditures against approved budget.</p>	Medium		<p><b>On-going</b> Improvements made through strong focus on high volume and high impact grants. PPM concluded new LLIN tender with US\$93M in savings achieved. Zero-Based Budgeting (ZBB) project launched to streamline operating expenses while supporting effective implementation of the new Strategy.</p>	<p>(1) Close collaboration with key partners for optimization of strategic investment decisions as part of national strategic planning process, leading to investment in evidence-based and most cost effective interventions adapted to country context, targeted investment to key populations and locations with highest disease burden, targeted HSS investment and use of innovation and new technology. (2) Finalize and implement GF supply chain strategy. (3) Rapid implementation of differentiated and simplified processes and AIM project which will strengthen operational efficiency and reduce transaction costs for GF and implementers. (4) Risk and Assurance project will help in optimizing use of and effectiveness of assurance providers incl. LFAs, external auditors, Fiscal Agents.</p>	Low
	10	<p><b>New Strategy Development and Allocation Model</b> (1) New strategy not meeting donor, implementer and other stakeholder expectations and not positioning the Global Fund to be fit for purpose in a changing development context. (2) New allocation model not achieving new strategic goals (incl. Middle income countries not addressing differentiated needs of MICs)</p>	Policy, SIID	<p>(1) <i>New Strategy</i>: Wide stakeholder consultation and close cooperation with SIIC and Board conducted, including 3 Regional Partnership; Strategic Framework finalized and approved by SIIC in Sept 2015 and Board in Nov 2015; Pro-active engagement and communication strategy. (2) <i>Allocation Model</i>: on track with close oversight from Senior Management and SIIC; analytical inputs and approach being developed and advanced.</p>	Medium		<p><b>On track</b> New Strategic Framework finalized and approved by SIIC and Board in Nov 2015. Consultations on new allocation model conducted supporting new strategic framework.</p>	<p>(1) <i>New Strategy</i>: Drafting of Strategy narrative document with goals and targets for SIIC and Board approval in March-April 2016. Preparation of Strategy Implementation Plan and monitoring indicators (corporate KPIs and operational KPIs). - Q2 (2) <i>Allocation Model</i>: (a) Finalization of high-level design, formula and key criteria for new allocation model for targeted allocation supporting successful new Strategy implementation. - For SIIC and Board approval in March-April 2016 (b) Detailed allocation process and model to be completed until Q3 2016 for Board approval of allocations in Nov 2016 (after Replenishment outcome)</p>	Low
Financial Risks (FOPC)	11	<p><b>Future funding / replenishment (2017-19)</b> Inability to ensure sufficient funding as per target from public and private donors due to lack of political and CSO support for GF, not meeting stakeholder expectations, Foreign Exchange risk related to new pledges, and other factors outside of GF control: in particular (i) refugee and migrant crisis in Europe and changing priorities for aid budgets, (ii) slow economic growth at global level affecting traditional GF donors, and (iii) increased competition from climate change/ SDGs.</p>	ER	<p>(1) Replenishment Strategy being implemented - Close collaboration with SIID, Policy Hub and Communications ensuring strong coordination and alignment with the new strategy and investment case. (2) Preparatory Meeting held in Japan in Dec 2015. (3) Pledging Conference: discussions on hosting by major G7 donor advanced. (4) Advocacy engagement ongoing. (3) New GF Strategy narrative appropriately embeds the SGD agenda and linkages to SDG goals.</p>	High		<p><b>On track/ on-going</b> Good progress in securing support of prominent stakeholders for GF Replenishment (15 champions on board including African Heads of State, donors and partners) Preparatory Meeting in Japan successfully held in Dec 2015. New GF Strategy narrative now embeds</p>	<p>(1) Secure major donor / G7 country host for the Pledging Conference scheduled for second half of 2016. (2) Implement the Replenishment Strategy, including strategy to incentivize increased domestic funding (e.g. matching funds). (3) Ensure that new GF Strategy narrative appropriately embeds the SGD agenda and linkages to SDG goals. (4) Effectively engage and facilitate up-coming donor reviews of GF: MOPAN Assessment, DFAT review (Q1-Q3 2016). (5) Closely monitor high external risks (political/ elections, global economy, refugee crisis, etc) and ongoing engagement of donors and partners at highest level.</p>	Medium
	12	<p>(a) <b>Foreign Exchange risk of (existing funding)</b>: Past inability to hedge foreign exchange exposures due to external institutional factors in the financial sector leading to losses. (b) <b>Economic Foreign Exchange risk (future pledges, 5th Replenishment)</b>: Mismatch between the time pledges are announced by donors until the time new contribution agreements are signed, booked and hedged.</p>	FISA	<p>(a) All new contribution agreements are consistently hedged with close monitoring of the FX "legacy" risk and related market entry strategy. (b) No current mitigations are in place as risk will only arise in 2016 upon the upcoming replenishment mid 2016.</p>	Medium		<p><b>On track/ Ongoing</b> New contributions received have been immediately hedged. Regular update to FOPC on hedging and legacy position.</p>	<p>(a) Continue close monitoring of the FX "legacy" risk and related market entry strategy (b) An extension of the FX Policy Part I is needed prior to the 5th Replenishment Conference to allow TGF to mitigate economic exposure</p>	Low
Operational Risks - Secretariat (FOPC)	13 NEW	<p><b>Risk Management Framework not fully adopted and operationalized</b> evidenced by gaps/ weaknesses in: (i) clarity of Roles and Responsibilities between the 3 lines of defense, (ii) 2nd line of defense function and (iii) internal control environment/ system, resulting in - negative impact on achieving the GF mission and strategic objectives and - OIG AMAs.</p>	MEC	<p>3 lines of defense model adopted by the Board for the GF (Risk Management Policy) but internally not effectively operationalized and embedded. Risk Management, Legal and Compliance and Finance fulfilling control/ 2nd line functions. Strong 3rd line of defense function (OIG). Review and strengthening of internal controls of core processes to become COSO compliant (ongoing, 60% completed).</p>	High		<p>Management conducted self-assessment on the maturity of its internal governance, risk management and internal control effectiveness. Risk Management function revamped under new leadership, changing engagement model to early involvement and formalized risk oversight. Reduction in OIG AMAs led by GMD.</p>	<p>(1) Strengthening of Risk Department and risk oversight, enhancing the Risk framework for greater clarity on roles and responsibilities, including authority and escalation mechanism. (2) Effective operationalization and embedding of updated Risk Management Framework across GF operations leading to improved decision-making and accountability. (3) Strengthening internal controls for all core processes and at GF entity level (COSO) and consider enhancing the compliance monitoring function. (4) Rolling out assurance planning. (5) Strengthening internal controls for implementers (e.g. new Finance initiative on FMS of PRs, and use of minimum capacity standards for selection of implementers supported by TA). (6) Continued focus on timely implementation of OIG AMAs.</p>	Low
	14	<p><b>Lack of integrated processes, systems and tools</b>: leading to weaknesses in grant and risk management, high transaction costs, low staff morale with negative impact on the internal control system. Inefficiencies and complex business processes, fragmented IT landscape and lack of an integrated data management system, as well as limited availability of strategic data supporting effective and efficient operations and oversight (KPIs and KRIs). Low coverage of core processes with automated controls.</p>	MEC	<p>Inventory of processes, selection of core processes and mapping of IT infrastructure completed. Financial processes (Step-up) have been fully updated with automated controls almost completed. AIM and Differentiation Projects initiated aiming to simplify, differentiate and integrate Grant Management processes, data systems and tools used by external and internal stakeholders. Systematic Risk &amp; Control review (COSO) used to streamline and strengthen core processes for effective and efficient internal controls and system, IT supported if possible, with 60% of core processes covered to date.</p>	Medium		<p><b>In progress</b> AIM project completed review of data needs and painpoints in grant management processes for simplification and improvement. Central Projects and Business Development Team created in OED office coordinating cross-divisional projects and initiatives including progress tracking and monitoring.</p>	<p>(1) Effective implementation of the AIM and Differentiation projects establishing an integrated IT grant management data platform and more efficient and effective grant management processes. (2) Maintain focus on transparent change management to ensure successful implementation of transformative projects for greater impact. (3) Increase coverage of IT supported internal controls (automated controls and management dashboards) for all core processes.</p>	Low



15	<p><b>New Projects/ Initiatives:</b> Critical projects and initiatives will not be delivered on time, as per required quality or in an effective way. (1) AIM (integrated grant management platform and more efficient grant processes end-to-end) (2) Differentiation and simplification of grant making and management processes (3) Risk and Assurance (4) E-Marketplace</p>	GMD, FISA, SIID, Risk	<p>(1) AIM project launched with new project management set-up, and consultant support, and cross-Secretariat governance structure. (2) Differentiation project launched with project management set-up and cross-Secretariat governance structure. (3) Project &amp; change management and governance structure in place, but project had experienced delays. Currently in pilot phase. (4) Project and risk management plan in place and close monitoring by internal Steering Committee.</p>	Medium	<p><b>Strong management actions taken to put back on track</b> (1-2) Differentiation project and AIM have been launched in Q3 2015 with full project management set-up, cross-divisional governance structure and external consultant support. (3) Risk and Assurance project revamped. Central Projects and Business Development Team created in OED office coordinating cross-divisional projects and initiatives.</p>	<p>(1) Strong senior leadership, guidance and monitoring to ensure rapid delivery and implementation of high quality improvements, simplification and differentiation of grant management processes including effective internal controls and integrated grant data platform. (2) Need to ensure alignment and close coordination with new strategy finalization (differentiation and data needs for new KPI framework). (3) Increased focus on timely implementation of Agreed Management Actions from OIG reports. (4) Strengthening of internal controls and effective embedding of risk management in all core business processes and decision-making (high volume, risk) led by Division and Department Heads, supported by Risk.</p>	Low	
16	<p><b>Staff Health</b> Risk of continued high stress levels and high sick leave of staff due to increased and unsustainable workload, tight deadlines, inadequate staffing and support, poor culture and working climate, bullying and harassment and other violations of corporate values leads to staff burnout, staff disengagement and productivity loss.</p>	ED, GMD, HR	<p>(1) MEC approved flexible working arrangements for improved work-life balance being implemented as per Working Group for Health and employee well-being group recommendation. (2) Working Group for Health and employee well-being came up with recommended actions addressing root causes analyzed. MEC approved action plan which is being implemented since June 2015. (3) Wellness plan 2015 delivered and ongoing.</p>	High	<p><b>On track</b> Various initiatives and information sessions conducted as per MEC approved Wellness plan 2015 (covering emotional and physical employee well-being, stress management, nutrition etc). Differentiation and streamlining of grant processes (AIM) initiated.</p>	<p>(1) Continue implementation of MEC approved Employee Wellness Action Plan. (2) Effectively implement differentiation and simplification of grant making and management processes supported by effective IT automation and data integration (AIM and Differentiation projects need to be implemented effectively and with highest priority).</p>	Low	
17	<p><b>Organizational Culture</b> New Global Fund culture including effective embedding of values and improved managerial accountability (being a key enabler to successfully deliver on the GF mission and achieve the strategic objectives) will not be operationalized in day-to-day operations.</p>	ED, MEC	<p>(1) Trainings to people management targeted on improving culture conducted. (2) Implementation of HR Strategy (ongoing). (3) 3 Values based Foundations Management trainings performed in 2015 for people managers. Wellness plan 2015 delivered and ongoing.</p>	Medium	<p><b>Ongoing</b> Additional HR management trainings to improve culture and collaboration conducted (expanded to all staff). Updated Code of Conduct for Staff, new Bullying and Harassment policy and updated disciplinary procedures approved by MEC.</p>	<p>Renewed focus on culture and values ('tone from the top') through (i) effective operationalization of updated Code of Conduct for Staff and related new HR policies (Q1-Q2), also addressing 'fear to speak up' and ensuring consistency and transparency for strengthened accountability. (ii) operationalization of the ethics and integrity framework by the new Ethics Officer including awareness raising and trainings.</p>	Low	
18	<p><b>IT risks</b> (1) <b>Business interruption and disaster recovery:</b> Interruption of activities due to loss of data and dis-functioning operational and back-up systems in IT. (2) <b>Data security &amp; Cyber risk (sensitive/ confidential information)</b> due to lack of internal regulations and awareness, accidental loss, or external or internal cyber attack of sensitive or confidential Global Fund information which could lead to financial loss or serious reputational damage.</p>	FISA	<p>(1) Conducted a Business Impact assessment to understand IT dependencies; moved office email, sharepoint, lync and one-drive to the MS 365 Cloud providing more resilient IT Service for office users and strengthened back-up service. (2) New Chief Information Security officer hired. Risk management plan in place and substantially strengthened IT internal controls based on OIG audit findings (3) Refreshed and new information governance regulations and initial control measures implemented.</p>	Medium	<p><b>On track</b> IT General controls considerably strengthened meeting OIG baseline and international IT control standards. New information governance regulations (Data classification public vs confidential information) finalized and approved by MEC.</p>	<p>(1) Effectively operationalize new information governance regulations &amp; security awareness training and embed as part of 'code of conduct' training for compliance to all staff (Q1 ongoing). (2) Move key IT systems/application out of BIBC to a fully managed service in strategic data centres with high availability and Disaster Recovery (Q2 2016). (3) Security maturation until end 2016. GF Cyber risk workshop in Q2 2016. (4) Expand coverage of IT support and automated controls for all core processes. Ensure effective integrated data systems improving business efficiency and effectiveness as per IT strategy (until end 2016).</p>	Low	
Operational Risks - Grants - (FOPC)	19	<p><b>Treatment disruptions</b> due to weak in-country procurement and supply chain management systems and capacity, poor management information systems including consumption data and forecasting leading to treatment disruption and poor quality of services, drug resistance as well as expired drugs and poor Value for Money.</p>	GMD, Sourcing	<p>(1) A systematic annual review and approval by the Secretariat of forecast and quantification is in place for High Impact countries. (2) The Rapid Supply Mechanism (vendor managed inventory) is implemented by the Global Fund since June 2015 for PPM and non-PPM countries. (3) Cooperation with key partners at country level, with focus on HI countries. Collaboration and coordination for country demand forecasts is strengthened with USG/PEPFAR/PMI in countries supported by both organizations.</p>	High	<p><b>Some progress</b> Rapid Supply Mechanism being successfully used helping to prevent stock-outs. Supply Chain collaboration with USG agreed incl. focus on coordinating demand forecasting at country level. A thematic review of the GF Supply Chain Strategy is in progress. The final report will be available in March with recommended approach and operationalisation. Wambo.org launched.</p>	<p>(1) Strengthen in-country supply chains and LIMS in coordination with partners (Supply Chain project). (2) Effective use of GF PPM/Wambo and continued improvement in performance indicators. (3) Strengthen compliance monitoring with GF PSM and QA policies and facilitate innovative interim and sustainable long term solutions with partners through the ITP project and Risk &amp; Assurance Project. (4) Close coordination with key partners for targeted HSS investments in sustainable PSM and QA systems.</p>	Medium
	20	<p><b>Substandard Quality of Health Products</b> due to non-adherence to GF quality requirements, counterfeit drugs, weak supply chain leading to reduced impact.</p>	Sourcing, GMD	<p>(1) Global Fund QA policies for pharmaceutical and diagnostic products and specific quality requirements for LLINs, insecticides and condoms in place including specific pre-shipment inspection and testing to prevent procurement of substandard products. - Currently using a policy based approach to manage risk, but insufficient. (2) Requirement for implementer to have a QA plan. (3) Supporting targeted HSS investments for establishment of in-country QA lab. - MoU signed with CepAT based in Ghana for facilitating access to TA in QA/QC for implementers and national labs in Africa.</p>	Medium	<p><b>Some progress</b> (up-stream - improved; downstream - need more work). Updated GF Guide to PSM policies for implementers. Increased QA head-count from 1 to 3 staff approved. Thematic review for strengthened PSM function under way.</p>	<p>(1) Strengthen monitoring conformance through Supplier Quality and Product Quality Assurance through a dedicated QA and Supply Chain team and/or use of highly qualified external parties for improved upstream &amp; downstream monitoring. (2) Further promote targeted HSS investments for establishment of in-country QA lab and strengthened surveillance. (3) Based on recommendations from the thematic review expected in March, strengthen the GF PSM function(s) able to more effectively support in-country supply chain strengthening and compliance with GF QA standards and policies (track and trace upstream and downstream).</p>	Low
	21	<p><b>Poor quality of programs/services</b> funded by the Global Fund, including poor adherence to international standards for diagnosis, treatment and prevention, adherence to regimens, rational use of health products and targeting programs to those populations most in need and lead to not achieving impact and causing drug resistance.</p>	SIID, GMD	<p>(1) Global quality standards for key interventions in place and being considered under Global Fund grants (grant making and monitoring of implementation). (2) Work-streams to address these issues include Risk and Assurance project and Program Quality Initiative.</p>	High	<p><b>On track</b> Further updates to Program Quality Strategy draft and cooperation for a common approach with PEPFAR, Gates and others. Documentation and dissemination of best practices approaches collected.</p>	<p>(1) Strengthen routine monitoring and national surveillance in coordination with partners covering all health care providers (public, private sectors, communities). (2) Enhanced application of a patient-centered approach and strengthen patient follow-up. (3) Continued expansion of private-public mix and evidence-based best practices. (4) Develop a Program and Data Quality and Impact strategy and program quality assurance.</p>	Medium
	22	<p><b>Low absorption (use of funds)</b> Low Absorption of funds is a risk following delays in the signing of NFM grants and progress of grants. The use of funds of the portfolio is below expectations for 2015 and is expected to increase by 18% in 2016 to support the desired impact from the allocation.</p>	FISA, GMD	<p>(1) ITP project launched for systematic partner mobilization and implementation support focusing on Top 20 countries. (2) Root Causes and systemic issues identified for Top 20 countries via collective diagnostic conducted per country in Q4 2015 (including national stakeholders, partners and GF) and action plans agreed to address grant bottlenecks and accelerate implementation. - Over 100 actions agreed for the 20 countries and captured in jointly developed partners mutual accountability framework. (3) Monthly monitoring of progress and quarterly updates of financial forecasts and expenditures on country and global basis.</p>	High	<p><b>On track</b> ITP Project launched and partners mobilized to jointly address implementation bottlenecks in 20 focus countries. Action plans concluded via in-country ITP meetings with agreed actions captured in joint partners Mutual Accountability Framework for regular monitoring. Implementation of actions started in-country.</p>	<p>(1) Implementation of action plans for Top 20 countries in collaboration with strategic partners. (2) Close monitoring and support from senior management as needed to address critical bottlenecks. (3) Develop and implement risk management framework to ensure consistent approach and guidance in use of tailored and sustainable risk mitigation measures (and regular update/ documentation of best practices and lessons learnt).</p>	Medium

	23	<b>Poor financial reporting by countries</b> Possibility that records maintained and reports provided by PRs or SRs are incorrect, delayed, incomplete or have inadequate supporting documentation due to inadequate financial management systems at implementer level.	FISA	(1) Tracking of audit reports, identified issues and progress in addressing issues/recommendations (2) Capacity Assessment Tool (CAT) action plans are followed up to address financial management capacity weaknesses (3) Best practice approach by Implementers being pursued and piloted (4) Action Plans for strengthening of financial management systems and processes completed in 10 countries	High	➔	<b>On track</b>  Action Plans for strengthening financial management systems and processes finalized in 10 countries.	(1) Develop and implement capacity-building action plans with a focus on "use of country systems & harmonization" (PRs are encouraged to focus on both their own & SR capacity building efforts) in collaboration with Government/PR & other partners.  (2) Enhance implementer fiduciary controls, systems, expenditure tracking and consistent reporting on Health (in cooperation with partners).	Medium
	24	<b>Grant related fraud and fiduciary risks</b> Risk of inadequate financial / fiduciary control, including procurement practices within implementers. The outcome of these risks if not managed appropriately are, under-absorption of funds, mis-use of funds and/or a lack of financial efficiency.	FISA	(1) Strengthening of fiduciary controls including over procurement is being applied to new grants and during grant implementation (ongoing) (2) Use of increased preventive and detective monitoring by LFAs and use of Fiscal Agents for implementers with weak internal control system and in high risk countries (3) Use of PPM or outsourcing of procurement to Procurement or Fiscal Agents in case of inadequate internal controls at implementer level as risk mitigation measure	Medium	➔	<b>Ongoing</b>  Approach for strengthened financial assurance and differentiated risk based approach developed.  Strengthened codes of conduct for suppliers approved by MEC.	(1) Completion of the financial assurance improvements and an agreed plan of action for improving the financial management capabilities of implementers. (end Q2 2016)  (2) Finalisation and implementation of a new financial risk management framework. (end Q1 2016)  (3) AEC approval and operationalization of strengthened Codes of Conduct for Suppliers (and Recipients). - end Q1 2016 - ongoing	Medium
	25	<b>Grant Oversight &amp; Compliance</b> (a) at PR level: inadequate PR oversight of grant program due to inadequate internal control systems and capacity at implementer level leading to reduced impact, poor VFM, potential major fraud incidence and reputational damage. (b) at Secretariate level: due to weaknesses in internal control system, oversight and compliance monitoring.	GMD, FISA, Risk	(1) PR selection prior to TRP and GAC approval that meet minimum standards. Increased efforts are being made in grant making to address critical capacity issues prior to grant signing ('disbursement-ready grant').  (2) Implementation arrangement mapping being done for all new grants which helps in optimisation of implementation structure and targeted strengthening of internal controls.	Medium	➔	<b>Ongoing</b>  Risk and Assurance Project restructured, simplified approach finalized and 3 pilots successfully completed.	(1) Increased focus on selection of strong PRs/ implementers who meet the GF minimum standards related to internal controls and allocation of funding to PRs  (2) Successful implementation of initiatives aiming at improving implementer capacity and strengthening of internal controls (e.g. new Finance initiative on FMS of PRs)  (3) Implementation of Risk & Assurance project to all HI countries (until end 2016)	Medium
<b>Governance Risk (Board/ CG)</b>	26	<b>Weak governance and risk oversight</b> Failure to adequately respond to identified weaknesses in governance mechanisms related to risk management and governance oversight, risks weak decision making and failure to provide clear strategic direction by the Board.	Board Chair	(1) Transitional Governance Committee submitted recommended reforms for Board approval. (2) Coordinating Group was strengthened, including implementation of formal work plan; systematic review of cross-cutting issues; focus on risk management oversight. (3) Performance Assessment Framework developed and implemented for two rounds of committee meetings (4) Improvements to institutional memory management and decision-making implemented in 2015. (5) Improved governance structure and Competency based selection of membership of new Board Committees approved by Board in Nov 2015.	Medium	➔	<b>On track</b>  Strengthened oversight and systematic review of cross-cutting issues and risks (CG).  360 assessment of Board and Committees conducted. Improvement plan developed by CG.  Enhanced governance structure finalized and approved by Board in Jan 2016 (Phase 1).	(1) Board approval of improvements to the Board structure and new composition (Phase 2 and 3) in April 2016. Implementation after April 2016.  (2) Implementation of new Onboarding for Board members.  (3) Continued governance improvements.  (4) Members selected and new committees in place (June 2016).	Low
<b>Ethics Risks (All)</b>	27	<b>Ethical Misconduct</b> Non Compliance with ethical standards by key stakeholders and decision-makers leading to poor decision-making and the GF not meeting its strategic goals.	Ethics Official	(1) Ethics Policy incl. Conflict of Interest in place. (2) Codes of Conduct and various ethics policies in place for staff, GF recipients, suppliers, LFAs and Board. (3) Whistleblowing line to OIG in place. (4) Strengthened Ethics & Integrity Framework approved by GF Board in Nov 2014. (5) Code of Conduct for Governance Officials and creation of an independent Ethics Office approved by GF Board end March 2015.	Medium	➔	<b>On track</b>  Updated and strengthened Codes of Conduct for suppliers and staff approved by MEC.  Recruitment of new Ethics Officer completed.	(1) Start of new Ethics Officer (May 1, 2016).  (2) AEC approval of strengthened Codes of Conduct for Suppliers (and Recipients). - Q1 (and Q2) 2016  (3) Further strengthening of ethics & integrity policies and system and operationalization.  (4) Awareness raising and training to all key stakeholders and decision-makers  (5) Monitoring of implementation and compliance.	Low
<b>Other (All)</b>	28	<b>Privileges and Immunities</b> Absence of P&Is expose the Global Fund, its governance officials and staff to lawsuits and its assets to enforcement measures. In addition, lack of P&Is hinders the Global Fund's ability to: (a) protect and maximize the impact of Global Fund resources (assets, income and property can be subject to taxation, currency and other restrictions); (b) conduct resource mobilization in connection with the opening of local bank accounts, remittance of contributions in local currency and regulation/restriction on fundraising activities; (c) protect governance officials and staff in the conduct of safe field activities; (d) deliver life-saving commodities in a timely and efficient manner due to customs and other restrictions; (e) conduct recovery efforts free from legal delays and diversions.	Legal	(1) Strategy developed under the guidance of the Privileges and Immunities Advisory Group (PIAG) to focus on selected priority areas for P&I efforts.  (2) PIAG also involved in high-level advocacy leveraging diplomatic and political networks.	Medium	➔	<b>On track</b>  P&I Strategy finalized and approved by Board Leadership, with strong support from AEC and FOPC, whereupon implementation has begun.	Implement new P&I Strategy with focus on selected priority areas for P&I efforts.	Medium
<b>Reputational Risk (All)</b>	29	<b>Reputation</b> Misleading or disproportionately negative media coverage of misuse of funds or other inappropriate activities leads to reputational damage and potential loss of future donor funding.  Donor confidence might also be negatively affected by organisational inefficiencies, performance issues or serious internal control weaknesses.	Comms, MEC	(1) Consultation with relevant Board members and partners as needed.  (2) Fast-moving communications and media coverage require coordinated planning and agile engagement.  (3) Strengthened internal controls (ongoing) and accountability.	Medium	➔	<b>Ongoing</b>  Strong project management set-up, leadership and senior management oversight for strategic projects and improved performance.	(1) Strengthen integrity due diligence on a risk-based basis for grants (PRs and SRs, in COEs and high-risk environments) and suppliers with support of LFA, prior to grant/ contract signing and ongoing monitoring. Need strengthening of QA verification of quality of drugs.  (2) Further strengthen risk management and internal controls in key processes and monitoring of compliance (internal and for 3rd parties).  (3) Close monitoring and accelerated implementation of OIG agreed management actions (AMAs).  (4) Further strengthen and operationalize ethics controls and Integrity culture.	Medium