

# The 49th Global Fund Board Meeting

## Global Fund Ethics Office Annual Report and Opinion 2022

### Context

The Global Fund Ethics Office and Annual Opinion 2022 was presented for input and comment at the 49th Board Meeting. It should be considered and read in conjunction with other reports the Board may receive, particularly those from the Office of the [Inspector General](#) (OIG) and Chief Risk Officer.

The report provides an overview of the work of the Ethics Office (Table A).

Table A: Overview of the Work of the Ethics Office

There is potentially a very broad ethics “universe” for the Global Fund		
To varying degrees we engage with these <b>stakeholders</b> ...	...on these <b>topics and</b> to mitigate these risks...	...conducting the following <b>program activities</b> to address the topics and risks.
<b>Operations</b> <ul style="list-style-type: none"> <li>• Implementers serving those impacted by the diseases, Principal Recipients (PRs) &amp; Sub-recipient (SR)</li> <li>• Country Coordinating Mechanisms (CCMs)</li> <li>• Direct suppliers, Pooled Procurement Mechanism (PPM &amp; non-PPM)</li> <li>• Assurance providers, including Local Fund Agents (LFAs)</li> </ul> <hr/> <b>Secretariat</b> <ul style="list-style-type: none"> <li>• Leadership, staff, consultants</li> <li>• Private sector partners</li> <li>• Indirect suppliers</li> <li>• Strategic initiatives</li> </ul> <hr/> <b>Office of the Inspector General (OIG)</b> <ul style="list-style-type: none"> <li>• Leadership, staff, consultants</li> <li>• Investigations unit</li> <li>• Audit unit</li> </ul> <hr/> <b>Governance</b> <ul style="list-style-type: none"> <li>• Board and leadership</li> <li>• Committees</li> <li>• Technical Review Panel (TRP) &amp; Independent Evaluation Panel (IEP)</li> <li>• Ad-hoc, e.g. Board Leadership Nomination Committee (BLNC), Executive Director Nomination Committee (EDNC), Inspector General Nomination Committee (IGNC)</li> </ul>	<b>Promoting ethics:</b> <ul style="list-style-type: none"> <li>• An enabling culture (Including speaking up)</li> <li>• “Ethics inside” our decision-making process (Considering values and moral principles)</li> </ul> <hr/> <b>Managing “core” ethics and integrity-related risks:</b> <ul style="list-style-type: none"> <li>• Conflict of interest</li> <li>• Corruption, including Policy to Combat Fraud and Corruption (PCFC) “prohibited practices”</li> <li>• Sexual exploitation, abuse and harassment (SEAH) and related conducts</li> <li>• Failure to protect assets</li> <li>• Confidentiality/privacy breaches</li> <li>• Research Ethics Issues</li> </ul> <hr/> <b>Supporting management of other risks with an ethical component:</b> <ul style="list-style-type: none"> <li>• Environmental breaches</li> <li>• Human Rights breaches</li> <li>• Labor, health &amp; safety issues</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting and enabling tone at the top</li> <li>• Performing &amp; supporting risk assessment</li> <li>• Applying and coordinating resources</li> <li>• Supporting clear accountabilities &amp; incentives</li> <li>• Developing, supporting, operating, and advising on policies, procedures &amp; controls (inter alia) <ul style="list-style-type: none"> <li>- Contracts</li> <li>- Conflict of Interest and other policies</li> <li>- Code of Conduct</li> <li>- Due Diligence Processes</li> <li>- Risk Management Processes</li> <li>- Controls, Assurance &amp; Oversight</li> <li>- Protection from Sexual exploitation and abuse (SEA), Sexual harassment (SH)</li> </ul> </li> <li>• Developing &amp; delivering training and communications</li> <li>• Supporting whistleblowing and investigations</li> <li>• Supporting response: enforcement, sanctions and other remedies</li> <li>• Monitoring and Testing</li> <li>• Reporting to Management Executive Committee (MEC), Committees &amp; Board</li> </ul>
<p style="text-align: right;"><b>...playing our role in addressing misconduct and sustaining the integrity of decision-making to maintain stakeholder trust in the Global Fund.</b></p>		

## Annual Opinion

The Annual Opinion of the Chief Ethics Officer is set out in three parts:

- Key risk area assessment
- Maturity level of ethics and integrity
- Compliance 2022

## Key risk area assessment

The global crises of 2022 have generated a material increase in the external ethical risks in the Global Fund’s grant portfolio:

- Exacerbated supply chain, fuel, and food shortages, along with inflation have generated uncertainty and tightened the fiscal space, thus increasing the inherent risk of fraud and corruption in grant programs.
- A rising number of incidents reported in the development sector and elsewhere – and increased level of attention towards sexual exploitation, abuse, and harassment (SEAH) – have highlighted the need for significant efforts for protection from SEAH and response across the partnership.
- OIG confirmed that unreliable, manipulated programmatic data and the infiltration of counterfeit health products both remain serious risks in our grant programs.

The Secretariat reported that several risk areas in the Organizational Risk Register which pertain to ethics risk remain high with an upwards trajectory. The Chief Ethics Officer confirms this assessment overall.

Regarding risks related to SEAH, the trajectory can be expected to be steady. The Global Fund has started putting in place preventive and mitigation measures for PSEAH. However, the reputational risk for the Global Fund is likely to rise, given that an increasing level of awareness can be expected to lead to a higher number of incidents reported.

Several agreed management actions critical to adequate mitigation of ethics risk and advancement on ethics risk maturity, related to PSEAH, integrity due diligence (IDD), and investigations mandates remained open at the time the report was written. However, the Chief Ethics Officer considers that progress towards closure is being made.

The Chief Ethics Officer deems the state of ethics and integrity systems at the Global Fund to remain at least at the level of maturity reported in 2021 and that there were no indications that the organization backtracked in its organizational maturity throughout the year despite the increase in risks mentioned above.

#### Maturity level of ethics and integrity

For 2022, the Ethics Office continued to use the Ethics & Compliance Initiative (EIC) High Quality Program Measurement Framework to assess maturity (as in previous years).

The first EIC principle, which relates to strategy, is: Ethics and compliance (E&C) are central to strategy. This is rated as 'adapting' and transitioning to 'managing'. E&C is beginning to embed with accountability assigned to key ethics and compliance risks; but consistency is lacking.

The second EIC principle, which relates to risk management, is: Ethics risks are identified, owned, managed and mitigated. This is rated as 'adapting': a formal risk assessment program is in place with accountability assigned for ethics and compliance risk management; but it is not consistently performed.

The third EIC principle, which relates to culture, is: Leaders at all levels build and sustain a culture of integrity. This too is rated as 'adapting' with leaders beginning to embed the ECP with accountability assigned for key ethics and compliance risks.

The fourth EIC principle concerns speaking up: The organization encourages, protects and values the reporting of concerns and suspected wrongdoing. This is also rated as 'adapting' because a formal employee speaking-up/ reporting structure is partially embedded but more progress is needed.

Finally – and also rated as 'adapting' – the fifth EIC principle is that the organization takes action and holds itself accountable when wrongdoing occurs. The organization communicates applicable standards and outcomes to employees and has established escalation, tracking, and investigative protocols, including consistent root cause analysis, follow-up action and trend reporting.

#### Compliance 2022

With respect to compliance, the Chief Ethics Officer reported that she is not aware of any allegations of ethical breaches that the organization had failed to address according to its currently approved policies and procedures. However, she stated that we can expect that, going forward, efforts to improve the

culture of speaking up and to strengthen the ethics program more broadly across the extended partnership may bring to light matters that were previously unreported. If this proves to be the case, she is confident that the organization will address them robustly.

2022 in review

During 2022:

- 3,998 individuals and 1,225 organisations were screened on essential due diligence.
- A practical framework was developed, with tools and structures that support implementers to be ready to act appropriately when an incident of SEAH arises.
- 250 Country Coordinating Mechanism (CCM) members attended a virtual ethics training session and 2,500 members have accessed at least one of the eLearning modules on the Code of Conduct for CCM members since their launch.
- 1,310 staff completed the eLearning module on SEAH.
- 67 managers (including all senior managers) and staff involved in PSEAH working groups were trained on safeguarding and PSEAH.
- Nine countries were supported in designing programmatically-focused contracting and programmatic assurance models to mitigate highest severity fraud risks.
- 242 candidates were screened as part of the nominations process of governance officials.
- 22 SEAH cases were monitored.
- Following an OIG fraud risk assessment, four agreed management actions were generated and operationalized.

Protection from sexual exploitation, abuse, and harassment

Throughout 2022, the Global Fund made significant progress in the operationalization of the 2021 [Operational Framework on the Protection from Sexual Exploitation and Abuse, Sexual Harassment, and the Related Abuse of Power](#). The integration and embedding of PSEAH practices into the Global Fund's existing structures, practices, and methodologies is a series of complex tasks that require the collaboration and ownership of many different stakeholders, within the Global Fund and among the broader partnership. Therefore, PSEAH operationalization may at times advance more slowly than hoped.

Within the Ethics Office, the PCU oversees PSEAH implementation and made significant progress in 2022:

- Four working groups focused on policy and partnerships, training and awareness, victim/survivor support, and SEAH risk management.
- Staff resources in the Ethics Office were increased to respond to the growing needs of the organization in both the prevention of and response to SEAH.
- The Ethics Office led a series of seminars on PSEAH to align with its partners in public health (Gavi, Global Fund, Unitaids, WHO).

SEAH risk increases when power imbalances, vulnerabilities and external risk factors intersect. SEAH often occurs in the context of the distribution of incentives, goods, and services. To mitigate risk of SEAH, a dedicated risk management approach was collaboratively developed through the PSEAH working group and endorsed by the PSEAH SteerCo in April 2022. It includes a country level SEAH risk assessment, PSEAH compliance verification, PR PSEAH capacity assessment and risk-based capacity building support and grant specific SEAH risk analysis and mitigation.

Enforcement of the policy to combat fraud and corruption

In addition to being part of the cross-departmental working group charged with operationalizing the four agreed management actions relating to fraud risk management, the Ethics Office:

- Provided support to the Secretariat on key aspects of the Policy to Combat Fraud and Corruption (PCFC) Implementation Plan.
- Provided expert input for root causes of fraud and corruption risk in relation to programmatic, data, grant governance, and sourcing and supply chain risk areas.
- Developed, tested, and offered for institutional adoption a programmatically focused method of executing proactive fraud risk assessments.
- Provided advisory support to Programmatic Business Risk Owners and Grant Management Division in designing programmatically focused contracting and programmatic assurance models that mitigate highest severity fraud risks.

### Ethics in Country Coordinating Mechanisms

In 2022, the Ethics Office:

- Provided guidance and support to CCMs with a specific focus on improving accountability, transparency, and inclusivity, in line with the objective of ensuring that the most affected communities are represented and engaged in Global Fund processes. CCMs have also been increasingly and proactively reaching out for advice, and several received tailored ethics sessions to address key governance and ethics related issues.
- Created Ethics Officer part-time positions in 15 CCM Secretariats as a pilot approach.
- Provided dedicated support to CCM Ethics functions to help them strengthen their ethics and governance.
- Conducted eleven virtual CCM Ethics sessions in 2022 (with over 250 participants), focusing on the values and principles of the Code of Conduct.

### Conflict of Interest management

The Ethics Office contributed to protect the integrity of decision-making through disclosure of interest assignments and the management of conflicts of interest.

Its actions to nurture a culture of trust, collaboration, and accountability in 2022 included:

- Clarification of roles through the review of Committee mandates;
- Revision to the Onboarding for Governance Officials, including an emphasis on the Global Fund mission and values, and on the Code of Conduct and expected behaviours in the onboarding of Governance Officials; and
- Sessions on trust-building organized for Board and Committee members to build collective awareness and identify strategies to further build trust and enhance governance culture in the Global Fund context.

The Ethics Office also led the due diligence and assessment of risks of conflicts of interest for:

- 80 Committee Membership candidates
- 24 Committee Leadership candidates
- 13 candidates for the Board Leadership Nomination Committee
- Nine candidates for the Independent Evaluation Panel
- 116 candidates for the Technical Review Panel

### Integrity due diligence

Through 2022, the Ethics Office acted as the organization's centre of expertise for IDD.

A major milestone for the Ethics Office was the joint pharmaceuticals tender for the Pooled Procurement

Mechanism, which was run under the IDD Framework for the first time in 2022, involving the review of 24 bidders and covering the largest product category with annual procurements of around \$500 million.

### Priorities for 2023

The priorities to collectively strengthen accountability and ethics at the Global Fund against the current backdrop of adversity are:

1. Culture of Ethics and Integrity: a renewed emphasis on strengthened awareness (incl. trainings and eLearning), engagement and promoting a sense of ownership for ethics and integrity across the Global Fund Secretariat, at the country-level and across governance bodies will be critical to uphold the highest levels of ethics and integrity risks across the Global Fund.
2. Country-level grant-making: providing guidance in terms of conflict-of-interest management and conducting ad hoc integrity due diligence checks at the country-level.
3. Reducing ethics and integrity risks: embedding a systematic, risk-based approach to address ethics risks in the implementation structure, with a focus on protection from sexual exploitation and abuse and harassment and combatting fraud and corruption.
4. Global Fund governance: continued advice to the Board, committees, Technical Review Panel and Independent Evaluation Panel on ethical and conflict of interest issues will help ensure adherence to standards of ethical conduct of Governance officials.
5. Initiate the revision of the Codes of Conduct and the updating of the Ethics and Integrity Framework.

### Stakeholder feedback

While welcoming the work of the Global Fund's Ethics Office, many stakeholders were interested in hearing the Ethics Office's views on the Global Fund's ambitions to move from an adaptive to a management maturity level. In particular, they called on the Secretariat to intensify its efforts to mainstream PSEAH into the Global Fund's governance, strategy, systems, operations and programmes. More broadly, it is essential, they say, that SEAH risk is effectively addressed across the partnership. They deem this to be vital to the Global Fund's mission. They additionally encouraged further consideration of how requirements for Principle Recipients can be made more robust with regard to reporting cases in a timely manner, conducting investigations, and responding using a "survivor-centred, trauma-informed approach".

In the final statement at the end of the Board meeting, the Board, while acknowledging the level of ethical maturity of the organisation and the measures put in place in 2022 to further strengthen the Global Fund's ethics and integrity systems, reiterates "[its strong commitment to zero tolerance for sexual exploitation, abuse and harassment \(SEAH\) and its support to the Global Fund's determined work to put in place safeguards to prevent, detect and respond to SEAH in all the programs that it funds](#)".

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