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of the Global Fund

Global Fund Board approves an Amendment to the Malaria Risk Appetite Statement

Introduction and Decision Point

The 50th Global Fund Board meeting this week discussed the Semi-Annual Risk Management Report which described the context in which Global Fund supported programs were being delivered. These included: emerging risks; the Global Fund's risk profile; and the continued evolution of risk management as well as the risk management priorities for 2023 and 2024.

The Board then went on to discuss the Recommendation on Amendment to Risk Appetite Statement concerning malaria. The Secretariat requested the Board to approve adjustments to the risk appetite statement for Malaria Program Quality Risk to reflect the worsening environment for malaria programs, taking into account a recommendation from the 23rd meeting of the Audit and Finance Committee (AFC). The following Decision Point (DP) was presented and approved:

Decision Point: GF/B50/DP03: Amended Risk Appetite Statement

1. The Board:

1. Recalls its ultimate responsibility to the Global Fund's stakeholders for overseeing the implementation of risk management;
 2. Affirms the Strategy Committee's concurrence with the amended Risk Appetite Statement under such committee's oversight, as reported to the Audit and Finance Committee; and
 3. Further affirms the Audit and Finance Committee's concurrence with the amended Risk Appetite Statement, including integration of the Strategy Committee's concurrence, as set forth in Annex 1 to GF/AFC23/8A – Revision of Risk Appetite Statement pursuant to decision point GF/AFC23/DP04.
2. Based upon the recommendation of the Audit and Finance Committee, the Board approves the amended Risk Appetite Statement, including risk appetite and timeframes to achieve target risk, as set forth in the table in Annex 1 to GF/B50/03, acknowledging that the target risk level for each risk shall become the revised risk appetite at the due date, or when earlier achieved.
3. This decision point and the amended Risk Appetite Statement approved by it shall supplement decision point GF/B49/DP04 (May 2023).

Related discussion at the Committees' meetings

The Semi-Annual Risk Management Report had been shared with all the Board's standing Committees for input on risks under the purview of each Committee as outlined in the Organizational Risk Register. Matters highlighted in this report were discussed at the 23rd AFC meeting, the 23rd Strategy Committee (SC) meeting and the 23rd Ethics and Governance Committee (EGC) meeting. The SC and EGC Leadership provided comments on risks under their respective Committees' purview to the AFC, in support of the AFC's mandate of overall oversight of risk management.

The SC had had an in-depth discussion on the current progress and challenges in the malaria portfolio, including mitigating measures and associated risk trade-offs. The SC acknowledged the significant funding gap for malaria and expressed concern that even with the active management of programmatic prioritization at the country level, there was a real possibility that program results will not be maintained. The SC concurred with the proposal to amend the risk appetite statement for Malaria Program Quality Risk put forward by the Secretariat, noting that the risk level is likely to remain Very High through 2024 and 2025.

The external risk environment will make it challenging to reach a level of High at the end of two years. The SC also noted that the situation is severe enough that it makes it very difficult to project when a Moderate level of risk will be achieved, and while that remains the ambition, the timeframe still has to be determined.

The EGC highlighted its discussions on ethics-related risks including sexual exploitation and abuse, sexual harassment (SEAH) and conflict of interest; and relevant agreed-management actions to mitigate SEAH risk; the governance action plan and related risk matters; and legal risks including privileges and immunities. The EGC stated that the direction of travel for risk remained steady with no material delays on risk mitigation.

The AFC noted input from the SC and the EGC, and discussed the Secretariat's proposed amendment to risk appetite, and the overall status of risk management. The AFC was supportive of the proposal to amend the risk appetite statement and recommended to the Board the Decision Point GF/AFC23/DP04: Amended Risk Appetite Statement.

Malaria Program Quality risk

The Board meeting then went on to discuss the Recommendation on Amendment to Risk Appetite Statement concerning malaria. The Secretariat requested the Board to approve adjustments to the risk appetite statement for malaria Program Quality risk to reflect the worsening risk environment for malaria programs, taking into account the AFC recommendation.

Context for the Decision Point

The trajectory of the malaria Program Quality Risk has continued its upward trend and is currently on the cusp of moving to Very High risk. Bottom-up analysis indicates that nearly 40% (24 out of 58) of the High Impact and Core portfolios are rated as High or Very High risk. The increasing trajectory is driven by numerous threats to control and elimination efforts, including climate change, disruptions caused by health and humanitarian emergencies and the spread of drug and insecticide resistance and biological threats that reduce the effectiveness of key malaria control tools and contribute to increases in program costs. This is in the context of macro-economic and health financing threats which accentuate gaps in coverage of critical malaria interventions.

This will not be an unfamiliar story to GFO readers. The GFO has published several articles relating to malaria (such as [Global Fund's Strategy Committee discusses the detrimental effects of the climate crisis on the fight against disease](#), and [Redefining strategies to address the multifaceted battle against malaria](#) which was based on the Update on Malaria discussed at the last SC meeting).

Malaria target risk timeframe: trade-offs

To address Malaria Program Quality Risk, the Global Fund and partners must continuously evaluate,

negotiate and tailor the mix of interventions and strategies to strike a balance that maximizes the impact of malaria interventions while minimizing risks to program quality.

Effectively managing malaria program quality risks requires carefully weighing programmatic trade-offs for: resource allocation, innovation – introduction of new technology/tools, sustainability accountability and risk reduction. Risk appetite does not create choices but rather allows choices to be made between available options while acknowledging that these choices will involve important trade-offs. Each decision requires a risk trade-off which has real consequences

Table 1. Examples of risk trade-offs

1	Introduction of more expensive and effective tools (e.g., dual activated ingredient nets) at the cost of achieving national coverage	vs.	Maintain national coverage with existing tools
2	Fixed-point delivery of long-lasting insecticidal nets (LLINs) to optimize costs	vs.	More effective door-to-door LLIN distribution at higher costs
3	Invest in essential malaria interventions	vs.	Investment in cross-functional health systems

The collection of mitigating actions put in place at the country level, based on local data and contextual information, serve to reduce the impact of risks to malaria program quality. However, in the context of significant funding gaps and growing external threats for malaria there is a real possibility that program quality risk remains Very High.

Due to this challenging environment and the resulting increasing risk trajectory, in March 2023 the AFC had recommended that the Board increase the Malaria Program Quality Risk Appetite from High to Very High. Our GFO edition on the 49th Board meeting carried an article on the [Risk Management Report and Annual Opinion of the Chief Risk Officer](#) which discussed this. The AFC recommendation was approved and as such ensures that the Secretariat has the flexibility to make the difficult trade-off decisions necessary to guarantee program continuity, help generate the desired level of attention and call to action from all key stakeholders needed to address the emerging threat.

At that same Board meeting, the Secretariat committed to putting forward a proposal for AFC recommendation to the Board in October and November 2023 concerning the target timeframes for

reducing the Malaria Program Quality Risk level back to High and then to Moderate. The paper discussed by the Board contained the recommendation, as well as the method adopted to inform the recommendation.

Input sought

The Board was requested to approve the DP above based on the recommendation of the AFC.

Input received

The Board heard that the SC had had an in-depth discussion on the current progress and challenges in the malaria portfolio, including mitigating measures and associated risk trade-offs. The SC acknowledged the significant funding gap for malaria and expressed concern that even with the active management of programmatic prioritization at the country level, there is a real possibility that program results will not be maintained. The SC concurred with the proposal to amend the risk appetite statement for Malaria Program Quality Risk put forward by the Secretariat, noting that the risk level is likely to remain Very High through 2024 and 2025. The external risk environment will make it challenging to reach a level of High at the end of two years. The SC also noted that the situation is severe enough that it makes it very difficult to project when a Moderate level of risk will be achieved, and while that remains the ambition, the timeframe remains to be determined.

The AFC had had detailed discussions regarding the proposed adjustment to the Malaria Program Quality Risk. It underscored the Global Fund's mandate to address malaria as part of its core mission, while acknowledging the importance of resilient and sustainable systems for health (RSSH) and pandemic preparedness and response (PPR) as supportive to this end. The AFC questioned whether investments in communities during bed net campaigns were adequately budgeted for in order to ensure that bed nets are ultimately used. The AFC also had a discussion on the resources and approach required to address "High" versus "Very High" levels of risk for malaria.

The AFC recommended to the Board, the Decision Point: GF/AFC23/DP04: Amended Risk Appetite Statement. Detailed summary of the AFC discussion and Secretariat responses can be found in Annex 3 to the Board paper.

Malaria target risk timeframe: Recommendation

Following bottom-up analysis and consultation with partners, the Secretariat is recommending setting a two-year horizon for reducing the risk level while acknowledging that the risk trajectory is hard to predict.

Table 2. Proposed risk appetite statement

Risk Name	Purview	Residual Risk	Risk Appetite	Target Risk	Previous Board-Approved Target Risk Timeframe	Recommended Risk Timeframe
Program Quality – Malaria	SC	High*	Very High	High	N/A	December 2025
				Moderate	June 2024	TBD

*Residual Risk Level is at the upper end of High and is anticipated to reach Very High in the coming months.

1. The expectation is that the Malaria Program Quality Risk will increase to Very High by the end of 2023 and remain at Very High through 2024 and 2025.
2. The external risks influencing the risk trajectory are difficult to predict and achieving a risk level of High by the end of 2025 is expected to be challenging. However, given the two-year timeframe this seems an appropriate target.
3. Based on information available at the end of 2025 the Secretariat will come back with an update on:
 - The evolution of the risk landscape;
 - Progress towards reaching the target risk level of High; and
 - Any recommended adjustments to the target risk timeframe to get to High, if necessary, and also recommending a timeframe for reaching the final target level of Moderate.

Stakeholder feedback

Throughout the Board meeting in almost every session stakeholders have made frequent reference to the disappointing results of the malaria programs. With regard to the proposed amendment, this concern was very evident: most constituencies noted with apprehension the triple threat to the malaria control; climate change, resistance to insecticide and drug and funding gap. They appreciated the work the Global Fund and all partners do to help fight the disease. They supported the Amendment with the expectation that the new tools will be effective and the risk level will soon reduce to Moderate.

Many other stakeholders were equally deeply concerned about the increasing risk to the quality of malaria control programs. Stakeholders encouraged the Secretariat to inform the Board of the resulting risk-based trade-offs at global and country level, and to share a very detailed action plan on how it could return to Moderate risk. Some recalled that concrete mitigation measures are possible, such as support for innovation and local and regional production of health products.

Stakeholders did support the decision on the proposed changes to accept the Malaria Program Quality Risk as 'Very High', together with an extended, yet uncertain, target timeframe for reducing the risk level

to 'High' by December 2025. However, they urged the Secretariat and Partnership to:

- Coordinate efforts to mobilize additional funds;
- Ensure that communities and civil society are involved in the prioritization of interventions and identification of risk mitigation strategies;
- Prioritize the role of community healthcare workers and strong community systems, to generate demand in the uptake and implementation of the latest tools, and reach the 'last mile'; and
- Accommodate funding flexibility and innovative approaches for COEs.

Board papers GF/B50/03 Recommendation on Amendment to Risk Appetite Statement and GF/B50/20, Semi-Annual Risk Management Report, will soon be available on the Global Fund website.

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