

Operational Policy Note

Challenging Operating Environments

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Overall Objectives

1. In April 2016, the Global Fund Board approved the Policy on Challenging Operating Environments (COEs) to provide overall guidance on future Global Fund engagement in such contexts¹, based on the principles of flexibility, partnerships and innovation. COEs are critical to the Global Fund mission as they account for a third of the global disease burden and a third of Global Fund investments. However, COE portfolios often face heightened programmatic and implementation challenges. A differentiated approach is hence needed to increase the impact of Global Fund investments in COEs.
2. The objective of this Operational Policy Note (OPN) is to provide operational guidance including flexibilities for Country Teams to manage COE portfolios in an agile and timely manner, within the principles defined in the approved COE policy.
3. Flexibilities are not limited to those described in this OPN. Additional flexibilities to the Board or Secretariat policies may be granted through EGMC normal approval channels to ensure an adequate response in these environments, in accordance with Global Fund policies and processes.
4. Categorization as a COE does not automatically guarantee eligibility for a flexibility. Country Teams need to obtain EGMC approval for the package of portfolio management flexibilities proposed for each COE portfolio through a memo. COE portfolios that are categorized as “High Impact” under the Global Fund differentiation framework will be generally managed following the standard approach for High Impact portfolios as defined in relevant OPNs.
5. This OPN will continue to be updated based on lessons learned and best practices.

¹ [GF/B35/DP09](#).

Principles and Policies

Principles

6. The approach for managing COE portfolios is guided by the following principles defined in the COE policy with the aim to maximize access to essential services and/or coverage:
 - **Flexibility.** *The grant management approach will be tailored to each COE context, with the types of flexibilities differing based on each situation. Flexibilities should increase impact through enhanced grant design, implementation, management and assurance. They should allow for greater responsiveness and timeliness of Global Fund investments, reduce administrative burden for implementing partners and Country Teams, and facilitate more effective service delivery to populations in need.*
 - **Partnerships.** *The Global Fund will optimize the types of partners in COEs to address implementation weaknesses and strengthen grant performance. Given that the Global Fund does not have in-country presence, operational collaboration with development, humanitarian, private sector and non-traditional partners are essential for impact especially in COEs.*
 - **Innovations.** *New approaches will be encouraged throughout the grant cycle in order to maximize results in COEs.*

COE Classification

7. COEs refer to countries or unstable parts of countries or regions, characterized by weak governance, poor access to health services, limited capacity and fragility due to man-made or natural crises. COEs may be experiencing either acute or chronic instability which will be considered in tailoring the country approach (see Annex 1).
8. The Global Fund classifies COEs based on an external risk index (ERI). The ERI is a composite index that is derived by compiling data from 10 authoritative indices² and is updated annually by the Risk Department.
9. The ERI categorization drives the classification of a portfolio under COEs. The list is based on the countries under the “very high risk” category of the ERI. Depending on emerging needs, ad-hoc adjustments can be made to the COE portfolios list, in line with the ERI updates and other contextual factors during the allocation period. For instance, countries facing an emergency situation can also be classified as a COE. An emergency is defined as an event or a series of events which has resulted in a critical threat to the health, safety, security or well-being of a large group of people. It can be the result of an armed conflict and coup-d’état, natural disasters, epidemics or famine, and often involves population displacement. Moreover, countries recovering from acute emergencies but continuing to face critical threats may, on a case-by-case basis, continue to be classified by the Secretariat as a COE.
10. The list of country portfolio classified as COE is determined for every allocation period and reviewed annually with the possibility to add countries based on updates to the ERI and emergency status by the Executive Grant Management Committee (EGMC). Once a country is categorized as COE, it will remain in the list for the corresponding allocation period.
11. The Operational Policy Hub in the Grant Management Division, working closely with the Risk Department and the Policy Hub, is responsible for defining the list of countries classified as COEs.

² The 10 indices used to establish the ERI are: The Fragile States Index (Fund for Peace); INFORM Index (Inter-Agency Standing Committee Task Team for Preparedness and Resilience); Global Peace Index (Institute for Economics and Peace); UN’s Safety & Security Index; Ease of Doing Business Index (World Bank); and five of the six World Bank Governance Indices (Voice and Accountability Index, Government Effectiveness Index, Regulatory Quality Index, Rule of Law Index; and Control of Corruption Index).

Potential additions to the COE list can be triggered by the Country Team, the Operational Policy Hub or the Risk Department.

12. The existing list of COEs is provided at the beginning of this OPM³.

Portfolio Analysis and Operational Strategy

Overall Management Approach

13. Given governance and capacity challenges in COEs, the overall engagement approach for a particular country will be determined by the Country Team, who will define an operational strategy for the portfolio that shall be tailored to achieving impact within the context and needs of the COE based on an analysis of the portfolio. The portfolio analysis and operational strategy will be reviewed by a Secretariat advisory committee⁴ and approved by EGMC, prior to its application.
14. Each Country Team managing a COE portfolio shall undertake a portfolio analysis to define a strategic approach for the portfolio management. The portfolio analysis and operational strategy will cover, to the extent possible, the following:
- Country and epidemiological context;
 - Lessons learned from past implementation;
 - Portfolio risks and challenges;
 - Potential areas for Global Fund investment for the next allocation period (what is the impact that the country needs to achieve in a COE and how can the investment be best focused to achieve that?);
 - Potential activities that may not be achieved given the country context;
 - Proposed implementation arrangements;
 - Proposed policy flexibilities for the portfolio.
15. Ideally, the Country Team should prepare the portfolio analysis and operational strategy before the initiation of the country dialogue and funding request development process, namely if the Country Team is planning to access flexibilities at the country dialogue and funding request stages. In case the Country Team is not able to finalize the portfolio analysis and operational strategy within this timeline, an extension of the timeline may be considered on a case-by-case basis.
16. The portfolio analysis and operational strategy can serve as the Global Fund engagement and investment approach in a COE during the next allocation period. Changes to the EGMC-approved operational strategy will require EGMC approval again, if the changes are deemed material. Materiality will be determined by the Country Team, in consultation with the advisory committee.

Differentiated Approach through Grant Life Cycle

17. This section captures differentiated approaches and flexibilities that may be applied for COE portfolios depending on the context. As indicated in the section above, a Secretariat advisory committee will review and advise on the tailored approach, before submitting to EGMC for final approval. Additional flexibilities may be accessed at any point in time through the normal EGMC approval channels. Examples of such flexibilities are summarized below:

³ Annex 2 will be revised based on updates to the COE list.

⁴ The advisory committee membership and ToRs will be defined soon.

Access to Funding and Grant Making

18. **Sources of Funding.** Global Fund financing for COEs is provided through country allocations. Under exceptional circumstances, funding may be provided to COEs through the Emergency Fund⁵.
19. **Eligibility for Allocation.** To be able to access an allocation, a country should be eligible to receive Global Fund financing as defined in the [Global Fund Eligibility Policy](#). Country components with existing grants that would otherwise be ineligible to receive an allocation and apply for funding under the Eligibility Policy due to either disease burden or income level, will be eligible to continue to receive an allocation as long as their country remains classified as a COE. The application of this flexibility to a particular COE should be requested by the relevant Country Team and approved by the EGMC, prior to the country allocation exercise which is undertaken every three (3) years.
20. **Use of the Allocation.** In situations of significant cross-border displacement, the funding allocated by the Global Fund to a host country can be used to cover services and access to medicines and health commodities for the populations seeking refuge in the host country, in addition to providing services for the host population. The funding allocation from the country of origin may also be used for services in the relevant country hosting displaced populations from the country of origin, including where the host country is not eligible for Global Fund financing, taking into account whether:
- The host country lacks the capacity and resources to deliver the necessary services through their national health systems; and
 - The provision of services for populations remaining in the country of origin continue, wherever possible.
- The use of a country's allocation for supporting displaced populations in a host country is determined on a case-by-case basis by the EGMC.
21. **Country Dialogue.** The manner in which country dialogue is conducted may be differentiated in COEs, including how to engage relevant stakeholders appropriately given the context. The country should, however, ensure the principle of striving for partner and stakeholder engagement is achieved as optimally as possible within the prevailing context.
22. **CCM and Non-CCM Arrangements.** Country Coordinating Mechanisms (CCMs) are central to the Global Fund's commitment to country ownership and participatory decision-making processes. Where possible, this multi-stakeholder partnership at the country level should be the main body to develop and submit grant proposals to the Global Fund based on priority needs and oversee the progress during implementation.
23. COE Countries that historically applied through CCMs that wish to continue doing so, may benefit from a lighter review of compliance with the CCM requirements provided they have a track record of compliance with these requirements, as demonstrated by previous Eligibility and Performance Assessment (EPA) results. As such, those CCMs may submit simplified supporting documentation to confirm compliance with CCM requirements. The CCM EPA conducted on an annual basis to determine the level of functionality of a CCM may also be tailored to the context to focus on self-assessment and light review (see [CCM Eligibility and Performance Assessment Guidelines](#)).
24. The Global Fund Framework document states that the Global Fund will consider proposals arising from partnerships in circumstances such as (i) where there is no legitimate government; (ii) where

⁵ As noted in the COE Policy, the Emergency Fund is expected to be used for funding beyond COE country allocations to support activities that cannot be funded through the reprogramming of existing grants during emergency situations. In such circumstances, Country Teams will consider charging back to a grant funded by the country allocation to replenish the Emergency Fund.

there is conflict, or natural disasters; (iii) countries that suppress or have not established partnership with civil society and non-government organizations.

25. In exceptional circumstances, alternative governance arrangements will be coordinated by the Global Fund, on a case-by-case basis, depending on the context of the COE and may include partner coordination mechanisms such as health clusters or use of one integrated regional grant management platform⁶.
26. **Application Channel.** In accessing the allocation, COEs will be subject to any of the following application channels:

Program Continuation	Components with no material change needed ⁷ or with less than 2 years of implementation under an existing grant (High Impact country components may be considered on a case-by-case basis).
Tailored Review	Components involving material changes, in line with the OPN on Grant Revisions
Full Review	Components in COEs categorized as High Impact

Each application channel follows a distinct process with its specific set of application materials. The Grant Approvals Committee (GAC) and the TRP decides on the application track for each of the disease component. For further details on these processes, please refer to the *OPN on Access to Funding and Grant Making*.

In its review of funding requests from COEs, the Technical Review Panel (TRP) will tailor their standard review criteria on a case-by-case basis, by applying considerations and flexibilities as appropriate to the specific COE context.

27. Funding Request and Program Designs

- Funding requests to use the allocation shall be based on the country's National Strategic Plan or Health Recovery Plan, if available and updated, capturing the most current context and epidemiology of the COE.
- Global Fund investments in COEs aim to increase coverage of HIV, TB and malaria preventive and therapeutic services, to reach key and vulnerable populations, and maximize efficiency in existing country partnerships. Investments in COEs also aim to build resilience through stronger community and health systems; and to address gender-related and human rights barriers to services. During emergencies, the scope of Global Fund investments may be more limited, aiming to provide continuity of essential treatment and prevention services for people affected by the three diseases, as well as to help identify, prevent and contain outbreaks. During recovery, the scope of Global Fund investments may be more expansive and support countries rebuild health and community systems. For additional information on focusing and tailoring investments in COEs, please refer to the Guidance Notes on HIV, Tuberculosis, Malaria and Resilient and Sustainable Systems for Health (RSSH) in COEs (*links forthcoming*).
- Global Fund investments shall be tailored to the specific context, with flexibility to rapidly respond to the changing environments. As part of their funding request, COE portfolios, in countries facing crisis and emergencies, may indicate their emergency preparedness plans, if available, i.e., define the minimum or altered scope that will be implemented if circumstances deteriorate, including the triggers for shifting to an emergency plan. Where such plans do not exist, Country Teams will work with in-country stakeholders and partners in COE portfolios to identify potential

⁶ This was the approach followed for the Middle East Regional Grant.

⁷ In line with the OPN on Grant Revisions – *Link forthcoming*.

suitable options to implement the grants when situations escalate, namely in acute emergency and volatile settings.

- d. Where there are weak capacities in program management, the program should be simplified to ensure operational feasibility. Country Teams may also explore innovative program designs and grant management approaches such as:
- Consolidating three disease components into one grant for synergy and operational efficiency, if the Principal Recipient has a relatively strong capacity to manage and coordinate activities across multiple components;
 - Payment for results where data quality is sufficient and routine results monitoring and verification are possible;
 - Direct payment from the Global Fund to identified service providers as part of a payment for results contractual framework;
 - Participating in pooled funding with other donors if this ensures a more coordinated and synergistic response and reduces transaction costs, provided adequate measures are in place to ensure appropriate access and audit rights are maintained, including attribution and traceability of Global Fund funding.

28. Implementation Arrangements

- a. In COE countries managed under the Additional Safeguard Policy (ASP), the Global Fund may directly appoint the Principal Recipient and/or Sub-Recipients and/or Service Providers which are best placed to implement the grant given the country circumstances. During implementation, Country Teams will continue to adjust implementation arrangements as necessary to address operational bottlenecks, including changing the Principal Recipient, or recommending the Principal Recipient to discontinue working with one or more Sub-Recipients, if their performance was deemed unsatisfactory. For COE countries that are managed under ASP, Country Teams may consider one of the organizations pre-qualified under the Emergency Fund following a competitive tender process.
- b. To address weaknesses in project implementation capacities in COEs, service contract arrangements may be applied to support and build capacity of implementers in project, financial, procurement and supply chain management. This includes the flexibility for Country Teams to appoint a combination of fiscal, fiduciary or procurement agents for specific programs, as required. Such arrangements will not only ensure achievement of project objectives but also build the capacity of implementers.

29. **Co-Financing Requirement.** COEs may be exempt from meeting the co-financing requirement. Such an exception may be granted if the country experiences a protracted emergency, or in situations where a transitional government is in place, and where partners and/or the government shared with the Global Fund an official and substantiated communication confirming the country's inability to meet the co-financing requirement. Exceptions to the co-financing requirement are approved by the Head of Grant Management Division.

30. Grant Documents

- a. **Performance Framework.** The Performance Framework for COE portfolios may be tailored to the context and simplified (i.e., include a limited number of indicators, in line with the Performance Framework simplification guidelines for the Focused portfolios or work plan tracking measures). Indicators and targets should be realistic in acute emergencies with volatile and rapidly changing context, and more ambitious in chronic instability situations. Country Teams should work closely with their Public Health and Monitoring and Evaluation (PHME) Specialists, the Monitoring, Evaluation and Country Analysis (MECA) Team and selected implementers to determine the indicators and targets to be included in the Performance Framework given the context.

- b. **Monitoring and Evaluation (M&E) Plan.** In acute emergencies and unstable contexts, the M&E plan and any subsequent updates should focus on critical components such as: 1) the indicators, data collection methods and reporting; 2) the identified needs for strengthening capacity and Strategic Information, where possible as part of health systems strengthening; and 3) analysis of available data and possible surveys, studies and assessments to further generate data to improve situational awareness and programs.
- c. **Budget.** In COEs, and as part of the differentiated approach provided for in the [Guidelines for Grant Budgeting](#) for low value grants (below US\$ 15 million), implementers are authorized and strongly encouraged to budget and report using the broad categories by interventions and cost groupings.

In some instances, where the context is volatile and long-term planning is difficult, COE implementers shall be allowed to submit a budget, with quarterly details only for the first 18 months (i.e. 12 months execution period and 6 months of buffer period to allow for the processing of the first Annual Funding Decision) and annual budget for the remaining periods. The quarterly budgeting breakdown for the remaining period will be submitted with the PU/DR and finalized when processing the next Annual Funding Decision. An Implementation Letter (IL) will then be signed to detail the budget for the remaining periods upon agreement.

- d. **List of Health Products, Quantities and Related Costs.** Where appropriate, COE implementers shall provide detailed information on the health products to be procured on a quarterly basis through the Global Fund financing for a period of 18 months only and annual estimate for the rest of the implementation period. The subsequent quarterly forecasting can be finalized through the annual updating of the procurement forecast. This is a good practice to ensure the forecast is adjusted to correspond to the changing situation and the most updated circumstances in-country.

Grant Implementation

31. COEs will generally follow the defined grant implementation approach for the portfolio category that they fall under in the differentiation framework (focused, core and high impact). The Overview of Grant Implementation provides a summary of the grant implementation approach that is applicable for each portfolio category. Flexibilities outside of the defined grant implementation approach may be applied for COEs.

32. Reporting

- a. A semi-annual progress report will be generally applicable only to COEs in Core and High Impact portfolios using the Global Fund Progress Update template. Recognizing capacity challenges in data collection and reporting in COEs, the due date of semi-annual reporting will be 60 days after reporting period, instead of the usual 45 days.
- b. In emergency situations, the Country Team may decide to focus reporting on selected indicators that are relevant for tracking. This will be determined in consultation with the MECA Team. In such case, the remaining indicators will be deactivated for the relevant period, hence not affecting the grant rating. Such revisions will be documented through amending the Grant Agreement.
- c. In case of pooled funding with other donors, reporting and annual funding decision timelines should align with the defined reporting and reviews for the program agreed among donors.
- d. In compelling circumstances, the Global Fund may at its own discretion accept alternative, suitable and appropriate financial and programmatic reporting for the purposes of assessing progress where it is impossible for the implementer to submit the standard Global Fund reports. Such alternative reports may include available reports from another project, program or development partner with relevant information that the Global Fund can use to assess the progress of its programs.

33. Monitoring and Evaluation

- a. Monitoring and evaluation arrangements should be tailored to best enable impact. Programmatic assurance providers could be expanded outside of the traditional service providers especially when there is poor accessibility to certain areas. The Country Team should consider alternative service provider approaches when Local Fund Agents do not have access to certain service sites in some geographic regions. For example, the Country Team may plan for grant budgets to remunerate service providers for M&E verification and assurance work.
- b. COEs shall follow the approach for program and data quality assurance as defined in the *OPN on Program and Data Quality*. The OPN allows for customization to the country context to best respond to the situation and the identified program and data quality risks in the country. For example, in acute situations, Country Teams may opt for spot checks whenever the access permits. Other possibilities may include triangulation of different data sources and real-time data from partners on the ground, where possible, to verify the program quality, instead of using LFA/service providers reviews in such settings.

34. Procurement and Supply Chain Management

- a. The Country Team should conduct a thorough assessment of the Principal Recipient's procurement capacity. Principal Recipients deemed to have weak capacities in procurement may be registered to the Pooled Procurement Mechanism (PPM), or use a recognized procurement agent.
- b. In areas of difficult access or where supply chain management and governance are poor, Country Teams may opt for contracting established supply chain management agents or services acceptable to the Global Fund, such as humanitarian agencies to manage the transfer of goods and commodities financed with grant funds until they reach the target populations.

35. Financial Management

- a. Where the Principal Recipient systems are weak, the Country Team may outsource financial management, in its entirety, to fiscal agents (i.e. private consultancy and accounting firms), or use fiscal/payment agents to monitor payments. In such cases, the Country Team should ensure to include in the grants' budget a provision to strengthen the Principal Recipient's financial management capacity.
- a. On an annual basis, and in accordance with the Grant Agreement, the transactions and balances of Principal Recipients and Sub-Recipients have to be audited, as well as at the closure of the grant. Depending on the context and the Principal Recipient, the auditor may have up to six (6) months after the end of the reporting period to submit the audit report, instead of the usual three (3) months.

36. Grant Revisions

- a. Grants implemented in COEs experiencing high volatility and rapidly changing environments require regular revision to the approved grants to quickly address the changing situation. In such cases, all COE portfolios, including in Focused countries, will be allowed to submit programmatic revision requests any time during the grant implementation, if warranted by the program context. The OPN on Grant Revisions (*Link Forthcoming*) has several built-in flexibilities to support regular programmatic revisions for COEs.
- b. Adjustments that are purely budgetary and that do not affect the performance framework are governed by the Global Fund's [Guidelines for Grant Budgeting](#), and shall follow the approval process defined for the relevant thresholds.
- c. In some acute emergency situations where one Principal Recipient in a certain country is not absorbing funding, the Country Team may authorize shifting activities and budgets from one Principal Recipient to another for the same approved application with the approval of the Regional Manager or Department Head (please see OPN on Grant Revisions – *Link Forthcoming*).
- d. Where an emergency preparedness plan was included and approved as part of the funding request, the program may shift to the emergency plan when the triggers are met. This shift will be approved by the Department Head and will not require a review by the TRP. If the emergency plan changes materially, as determined by the Country Team in consultation with the advisory committee, by the time it is triggered or if the plan was not initially reviewed by the TRP at the time of the funding request, TRP review will be required.

Risk Management Approach for COEs

37. Risk management should be informed by the Board, Strategy, Investment and Impact Committee (SIIC)⁸ and TERG conclusions⁹ that “among the multiple risks, the main risk for the Global Fund in fragile states is operational: the risk of not achieving its mission, due to not reaching key affected populations with priority services and thus not achieving impact in the three diseases.”
38. Risk analysis for COEs shall be conducted through the portfolio analysis and operational strategy discussed above. Portfolio risks will be captured in a Key Risk Matrix which will clearly define the key risks preventing achievement of impact, as well as the controls and risk mitigation measures to help address and overcome those risks.
39. On an annual basis, or whenever the context changes, the Country Team will update the Key Risk Matrix and assurance plan and present an update to a Secretariat advisory committee. Updates to the portfolio risk profile that result in significant changes to the operational strategy and the program’s implementation modalities should be presented to a Secretariat advisory committee.

Partnership and Technical Support

40. Partnerships are central to an effective engagement in COEs. As part of the portfolio analysis and operational strategy, Country Team should undertake a mapping of existing in-country partners. This mapping exercise will facilitate Country Teams work in further defining how these partnerships could be leveraged to strengthen in-country governance, enhance service delivery and improve technical assistance, to increase the effectiveness and efficiency of the grants implementation.
41. **Strengthening in-country governance.** Country Team should leverage existing in country coordination and partnerships mechanisms whenever possible, including meaningful engagement of national key stakeholders and communities in decision making and oversight. Linkages with health, logistics, protection, gender-based violence and other clusters/sectors, where applicable, should be made both at national and global levels to improve coordination and foster integrated approaches during emergencies.
42. **Enhancing service delivery.** To enhance service delivery, the Country Team will work closely with national stakeholders and relevant partners to ensure coordination and harmonization of the suggested interventions and implementation approaches. Country Teams should explore the involvement of non-traditional implementation partners such as civil society organization and communities and the private sector, particularly in settings where public health services are primarily provided by the informal sector.
43. **Improving technical assistance.** Country Teams will collaborate with academic institutions, technical partners, civil society organizations, and other relevant actors with expertise in COEs to provide medium to long-term support and capacity building for COEs such as project management, monitoring and evaluation, data collection and reporting, financial management and supply chain management. Country Teams should also link with existing rosters of COEs specialists which can be mobilized to provide short term technical assistance to implementers. Capacity building initiatives may be supported through the Global Fund grants and partners’ support and commitment shall be formalized at the approval of the grant.

⁸ SIIC paper on COEs from June 2015.

⁹ TERG Position Paper on fragile states presented to the SIIC in June 2014.

Roles and Responsibilities

44. **Oversight.** Within the Secretariat, the EGMC oversees the implementation of the differentiated approach for COEs, including the flexibilities for each COE.
45. **Secretariat advisory committee.** This committee will review the portfolio analysis and operational strategies submitted by Country Teams, advise on best approaches before the tailored strategies and flexibilities are submitted to EGMC for approval. It will be open to relevant external humanitarian partners on ad-hoc basis.
46. **Country Teams.** Led by the Fund Portfolio Manager, the Country Team is primarily responsible for defining and implementing a tailored operational strategy for each COE portfolio they manage.
47. **Support to COEs.** Several teams within the Secretariat provide support to Country Teams in managing COE portfolios:

COE Support Team	<ul style="list-style-type: none"> - Support Country Teams in accessing proposed flexibilities - Map relevant partners - Compile and share best practices and innovative solutions in implementing program activities in COEs
TAP (MECA and Disease and HSS Advisors)	<ul style="list-style-type: none"> - Provide guidance on focus of Global Fund investments in COEs - Gather and share evidence-based best practices in COEs - Provide guidance in tailoring M&E and information strengthening - Provide guidance on external service providers for verification tasks and technical assistance
Supply Chain Department	<ul style="list-style-type: none"> - Provide guidance on tailoring procurement and supply chain management - Gather and share best practices on supply chain management - Provide guidance on external service providers for commodity storage and distribution
Program Finance	<ul style="list-style-type: none"> - Provide guidance in tailoring budgets and financial management - Gather and share best practices on financial management, including the use of national v/s parallel systems
Risk Management	<ul style="list-style-type: none"> - Provide inputs and oversee risk management for core and high impact portfolios - Provide input in grant design, management and assurance, as relevant
Policy Hub	<ul style="list-style-type: none"> - Update COE policy as needed - Facilitate reporting to the Strategy Committee and Board on COEs as part of the Strategy Implementation.

Operational Policy Hub	<ul style="list-style-type: none"> - Coordinate and provide guidance in the management of COEs portfolios - Assist Country Teams in interpreting and applying policies relevant to COEs - Develop and update operational policies and guidelines related to COEs - Consolidate and document best practices and lessons learned on COEs - Facilitate EGMC review and approval of COE tailored portfolio strategies, including requested flexibilities
Legal and Compliance Department	<ul style="list-style-type: none"> - Ensure compliance with Board policies - Assist Country Teams in structuring, drafting and negotiating relevant contractual arrangements to support COEs

Annex 1. Characteristics of Acute Emergency and Chronic Instability Settings

Acute Emergency	<ul style="list-style-type: none"> • Ongoing humanitarian crises due to armed conflict, emerging disease threats or outbreaks or natural disasters. • Volatile security situation, with large numbers of internally displaced persons and/or refugees or other persons of concern • Health system significantly destroyed or overwhelmed by crisis • Major constraints to accessing certain areas and populations due to crisis • Rapidly evolving context, hence significant challenges with data representativeness, timeliness and availability • Disease strategic plans not available or are not a reliable reflection of the context and evolving epidemiology • CCM is not functional or is not well placed to coordinate country disease response in the crisis. • National entities may lack legitimacy, and capacity to implement including systems to ensure adequate fiduciary control and accountability
Chronic instability	<ul style="list-style-type: none"> • Precarious security situation relating to periodic political strife, governance change or weak leadership or localized conflicts • Accessibility challenges due to insecurity • Protracted economic crisis, low political will, and high levels of corruption • Health system weak and/or is in the process of rehabilitation • Service coverage levels are low • Data collection and analysis systems are weak or not established in certain cases • Disease strategic plans are not available or not robust • Coordination is led by a provisional stakeholder coordination forum; or CCM was only recently revived, or has long-standing challenges with respect to leadership, inclusiveness and transparency of decision-making • National entities have low capacity for implementation, with sustained weak performance

Annex 2. Tailoring LFA/Assurance Services in Challenging Operating Environments

The below guidance outlines some key principles and considerations for engaging assurance providers, and specifically LFAs, in COEs and for tailoring their assurance work.

Engaging assurance providers, including LFAs, in Challenging Operating Environments (COEs)

1. The volatile nature of many crises and the continuously changing context in which grants are being implemented in many COEs, but also the distinct architecture of these countries' grants and implementation arrangements require risk management and assurance responses that are flexible and tailor-made to each country specific situation.
2. The management of a COE portfolio does not necessarily require more assurance work but rather smart assurance approaches that are rigorous and yet adapted to the challenges presented in the given country and grant context.
3. Important considerations to take into account when defining the scope and nature of assurance, including the LFA role are:
 - (i) the complexity of the grants/country environment;
 - (ii) the volume of funding, scope and geographical coverage of program activities;
 - (iii) the capacity and performance of the country systems and implementers;
 - (iv) historical grant performance;
 - (v) the risk levels and prioritized mitigation actions
 - (vi) Global Fund Country Team resources and capacity;
 - (vii) Availability and capacity of partners/assurance providers in country
 - (viii) Reliance on partners' work;
 - (ix) Effectiveness of implementers' controls and/or risk mitigating mechanisms
 - (x) Existence of early warning systems
 - (xi) LFAs having adequate access to PR/SR information and program locations;
 - (xii) Security to operate in country.
4. As far as available and appropriate, the Country Team may need to use various assurance providers in country to allow for a timely and adequate response to the crisis. The LFA can be one such assurance provider and important source of information.
5. The LFA's ability to operate as much as possible in country is critical to managing the COE. This, however, may not always be feasible. The Country Team should assess and discuss with the LFA whether the latter is able to execute the Country Team's tailored assurance plan that guides the LFA work. In cases where the LFA cannot access certain areas of the country or restricts its staff from travelling to the country due to security concerns, the Country Team may need to consider using partner agencies or contracting other independent assurance providers that are well versed in operating in insecure/COE environments to undertake required verification tasks in country complementing LFA routine desk reviews. In addition to working with the LFA and other assurance providers, as relevant, the Country Team should coordinate closely with the PRs (particularly where

these are international agencies such as MSF, Save the Children, IRC etc.) to devise an assurance plan that builds on the PRs' institutional experience in operating in COEs.

6. The nature of the crisis and associated risks/mitigations, which drive the assurance responses vary greatly from country to country. Hence, the management of risks in COEs is based on a flexible application of and differentiated country-specific approach to assurance requirements and controls, including LFA services.
7. This means that based on its risk analysis the Country Team has full flexibility to adapt the level of LFA verification and the scope of LFA service Terms of References to the needs of the COE portfolio. For some COEs this may result in a significant reduction of the LFA scope of work while in others a shift of focus of LFA work may be required, depending on the Country Team's consideration of the above listed factors (points 3 above).
8. For instance, settings with programs of very limited scope (e.g. only focus on treatment), a small number of implementation locations or beneficiaries and trusted implementers with a good track record may require only a limited involvement of an LFA, e.g. spot checks to address specific risks.
9. In other settings with weak implementation capacities and more complex programs, e.g. including large procurement and wide geographical coverage with limited or no access to sites, tighter fiduciary and programmatic controls are likely to be required. Here, the Country Team may decide to engage the LFA in more regular financial, programmatic and procurement checks, particular in countries where reliable information from partners/other assurance providers is not available.
10. Where feasible, the Country Team may also choose to use the LFA, or another country-based assurance provider in the absence of the LFA in country, as one of the resources for early warning as part of the ongoing monitoring of the situation and to act as the ear on the ground to be able to inform the Country Team as timely as possible of any issues/risks that require mitigation and management. Such information, for instance, can inform the reprogramming of grants as the implementation adapts to the evolving situation in country. In order for the LFA to provide up-to-date information to the Country Team it is critical that it engages regularly with relevant actors in country under the guidance of the Country Team.
11. As it determines the assurance strategy and plan for the grant portfolio, the Country Team should from the start seek the advice and closely consult with the Regional Manager/Department Head and the Regional Finance Manager for finance-related matters to ensure there is a shared understanding of the risks to adapt to and of the operational requirements to mitigate them. Further, the outcomes from the review of the portfolio by the Operational Risk Committee, and updated assurance plans are opportunities for making course corrections to the assurance activities based on the prioritized risks and mitigations.
12. The Country Team's close communication, timely information sharing, planning and coordination with all relevant assurance providers, including the LFA, are key to setting expectations and managing programs in COEs. This, for instance, can comprise regular joint briefings from risk monitoring and updates to action plans and risk maps.

Competencies of LFAs operating in COEs

13. While most of the below competencies are expected of LFAs in any setting, they are of particular importance for LFAs operating in COEs:
 - ✓ Experience in providing LFA services in COE countries;
 - ✓ Good understanding of the national health system, government processes and procedures; incl. Ministries of Finance and other aid / governing bodies;

- ✓ Good intelligence insight with regards to the Ministry of Health and Government;
- ✓ Good intelligence on partner environment - organizations and entities involved in the fight against the three diseases in the country
- ✓ Previous experience in the country where services are proposed or at least three key staff (Team Leader, Finance and Programmatic/M&E Expert) have minimum one year experience in the country context and have been performing ground work;
- ✓ Ability to be flexible and adaptable upon requests from the Country Team, including making staff available as and when required, and able to adjust under changing workload;
- ✓ Able to move around the country according to security protocols; and open to building partnerships for areas which may not be accessible due to security protocols;
- ✓ Able to manage Country Team requests within the proposed timelines, able to provide high quality and practical reviews and propose solutions based on experience with the country context;
- ✓ LFAs have their own security protocols or base the security protocols on professional security organization.

Examples of tailoring LFA services in COEs

14. The following examples may serve as guidance to the Country Teams when determining the LFA scope of work for COEs (this list is not exhaustive):
- (i) In the case of COEs where LFAs are limited in the services they can provide due to their travel and security policies restricting their staff from travelling to and within certain COE countries, engaging vetted organizations could be considered to provide assurance services in country, as needed, to complement LFA routine desk work.
 - (ii) The Country Team may consider to host workshops with the PR, CCM and LFA outside the country, e.g. at the GF in Geneva, to discuss roles and responsibilities, including how reporting and risk would be managed. This can help to set expectations and resolve blockages.
 - (iii) Where the LFA has no access to a country, the Country Team may consider flying the PR to the neighbouring country for PU/DR reviews or other verification activities.
 - (iv) Moreover, if the LFA is unable to operate in the country, the Country Team may consider financing a consultant (e.g. emergency health professionals) on the ground to monitor risks and follow grant implementation. This may be done through close cooperation and sharing of such resources with partner organisations, such as UNHCR or ICRC.
 - (v) In some COEs, the Country Team may consider investing in alternative data collection methods that ensures the greatest reliable information, e.g. using cell phones.
 - (vi) The Country Team may need to review the staffing of the LFA team and discuss the required competencies for the given COE context with the LFA to ensure competent and experienced experts are in place who are well versed in operating in challenging environments.

Important considerations for tailoring LFA services in COEs

15. When considering the level and scope of engagement of LFAs in COEs the following needs to be taken into account:
- (i) The flexible tailor-made approach to defining the LFA role in a given COE requires close coordination and timely planning with the LFA and relevant actors internally to ensure that required LFA resources are available when needed.

- (ii) Depending on the severity of the crisis, as a last resort the LFA may have to relocate some or all of its staff, either to other safer parts of the country or to a neighboring country. While an in-country presence of the LFA is preferable, the LFA's own risk management procedures to ensure the wellbeing of its staff need to be acknowledged and respected. While the LFA would not be able to perform certain tasks, such as spot checks, it may still be requested to perform other desk-based reviews and to keep itself abreast of the latest developments in country. At the same time, the Country Team needs to explore which, if any, other entities in country could assist with providing some assurance tasks, e.g. local NGOs.
- (iii) In cases where unforeseen events in the country require significantly more LFA work than was originally included in the annual work plan/LFA budget the Country Team should consult the Regional Manager/Department Head, Regional Finance Manager and the LFA Coordination Team to decide on next steps.
- (iv) In some security sensitive COEs the LFAs' costs for providing security to their staff in country can be substantial. Such costs are normally covered by the LFA budget under Other Direct Costs (ODC). However, before agreeing to include such costs in the LFA budget, the Country Team should request the LFA for a breakdown of security related costs and consult the Regional Manager/Department Head, Sourcing and the LFA Coordination Team.