

Challenging Operating Environments

Approved on 26 August 2026
Approved by Executive Grant Management Committee
Process Owner Grant Portfolio Solutions and Support

Process Objectives

1. The Challenging Operating Environments (COE) policy, approved in 2016 by the Global Fund Board¹, provides the framework for the Global Fund's engagement in challenging contexts to:
 - a. Increase coverage of HIV, TB and malaria preventive and therapeutic services, with a particular emphasis on reaching vulnerable key populations and underserved populations, including refugees, asylum seekers, displaced persons, and those in need of humanitarian assistance, leaving no one behind.
 - b. Build resilience through optimized partnerships and stronger community and health systems, addressing barriers to service delivery.
2. The approach to managing COE portfolios is guided by the following principles:
 - **Flexibility.** The portfolio management approach is adapted to each COE context, enabling responsiveness, timely investments, reduced administrative burden, and effective service delivery. Deviations from grant life cycle operational policies require Global Fund approval.
 - **Partnerships.** The Global Fund, Country Coordinating Mechanisms (CCMs), and Implementers optimize partnerships in COEs to address challenges and strengthen grant performance. Without Global Fund's in-country presence, collaboration with development, humanitarian, private sector, and non-traditional partners is essential.
 - **Innovation.** New approaches are promoted throughout the grant life cycle to maximize results in COEs.

Operational Policy

3. This OPN defines the guiding principles and requirements on COE. Specific best practice guidance is also captured in the document.
4. The OPN applies to country and multicountry COE portfolios unless otherwise specified in the dedicated multicountry section. While the principles and general requirements defined in this OPN apply across all portfolios, the specific COE deliverables do not apply to Focused portfolios, unless explicitly stated. [Annex 1](#) provides a summary of the COE deliverables and how they apply to each portfolio category.
5. Figure 1 below summarizes phases and sub-processes of the COE policy implementation.

¹ [GF/B35/03 Board Decision: The Challenging Operating Environments Policy](#)

Figure 1.



A. Define COE Portfolios

6. COEs refer to countries or unstable parts of countries or regions facing weak governance, poor access to health services, limited capacity, and fragility due to man-made or natural crises. These conditions result in elevated operational challenges and risks.
7. COE portfolios may face acute crises, protracted crises, or a combination of both. While the COE framework applies across these contexts, the tailored approaches, required flexibilities and implementation arrangements may vary depending on whether operational challenges arise primarily from sudden shocks or from persistent systemic constraints.
8. COE classification is primarily based on the External Risk Index (ERI) classification with adjustments to consider countries facing crisis or undergoing post-crisis recovery.

A.1. Determine External Risk Index (ERI)

9. The ERI combines data collected and assessed by a variety of defined and accredited institutions including, political, governance, economic, security and operational risk-related data. Based on this, each country, eligible to receive Global Fund allocation, is categorized into five defined risk levels: “very high”, “high”, “moderate”, “low”, and “very low” ERI.
10. The Risk Department updates the ERI annually, at the end of each calendar year, in consultation with Country Teams (CTs) and the Implementation and Challenging Operating Environments (ICOE) team. The Chief Risk Officer approves the ERI and its updates.

A.2. Define and approve the COE portfolio

11. The COE list is determined for each grant cycle and revisited annually following updates to the ERI through an internal Global Fund Secretariat consultative process. The Executive Grant Management Committee (EGMC) reviews and approves the list of portfolios designated as COE.
12. Portfolios classified as “very high” ERI are primarily classified as COEs. Adjustments may be warranted in the following situations:
 - **Exclusion of “very high risk” ERI portfolios.** For instance, when a country has strengthened its health systems and governance to the point that the continued COE measures would yield limited or no material additional benefit. In such situations, the CT must provide strong justification.
 - **Inclusion of countries facing acute crisis** such as conflict, high insecurity, volatility, or political instability.
 - **Inclusion of countries undergoing post-crisis recovery.** After a crisis, COE measures may need to remain in place to restore and stabilize health systems or mitigate material risk.
13. COE classification typically applies for the full Grant Cycle. The annual updates within a Grant Cycle can add portfolios in the COE list.

B. Differentiate the approach

14. For COE portfolios, the CCM, PR and CT ensure that the portfolio and grant management approaches are tailored to the country context in a manner that maximizes access to essential services and coverage, reduces administrative burden where possible, and supports effective service delivery to vulnerable populations while maintaining sufficient oversight, accountability, and risk management. The differentiated approach is reviewed and may be adapted during the grant life cycle based on periodic review and context-specific changes.
15. The OPNs on COE and on [Country Risk Management](#) complement each other. While the Country Risk Management process establishes how the Global Fund identifies, assesses, manages and oversees risks, the COE differentiated approach focuses on determining and operationalizing adaptations required to achieve program objectives despite identified constraints. These adaptations may include differentiated partnerships, as well as adjustments to service delivery models, implementation arrangements, monitoring and assurance approaches.
16. As best practice, CCMs, PR and CT engage with relevant in-country stakeholders, including the health, logistics and/or protection clusters and other coordination mechanisms, humanitarian and peace organizations, local civil society, and other partners operating in affected areas, to ensure that the differentiated approach reflects current realities on the ground².
17. [Annex 2](#) captures examples of differentiated approaches that may be applied for COE portfolios depending on the context and on whether the crisis is acute or protracted. If implementation of the differentiated approaches requires deviations from operational policies (referred hereafter as flexibilities), the flexibilities may be accessed following the process defined in [section B.2](#).

B.1. Identify challenges and tailor the approach

18. **Identify COE challenges.** The CT, in coordination with the CCM, PR and relevant stakeholders³, identifies key challenges impacting program implementation. In countries facing acute emergencies, this helps inform the definition of a tailored approach; in protracted contexts, it supports assessing what has worked, identifying remaining challenges, and targeting adaptations to them, when needed. This identification considers, in addition to programmatic and epidemiologic information, specific contextual dimensions such as:
 - Operational access constraints: mapping of areas with limited or no access due to insecurity, conflict, or natural disasters.
 - Conflict, political and insecurity trends: patterns of violence (including gender-based violence), human rights and gender-related barriers to health services, evolving frontlines, presence of armed groups, and constraints on the movement of health staff and commodities.
 - Population factors: displacement trends, mobility patterns, informal settlements, and marginalized or hidden populations.
 - Service delivery challenges: interruptions to the health system, partner capacity limitations, supply chain vulnerabilities, and constraints on data collection and verification.
 - Extreme weather and climate events: risk and vulnerability to natural disasters that can affect grant implementation.
 - (If applicable) Humanitarian situation: people in need of humanitarian assistance, funding of humanitarian response plans, and how the humanitarian situation affects key and other vulnerable populations.
19. **Tailor the approach.** Based on the identified challenges, the CT, in coordination with CCM and PRs, tailor the approach for managing the portfolio including how the grants are designed, implemented and monitored and related assurance. The differentiated approach:

² This includes, but is not limited to, their involvement during Country Dialogue, grant-making, and their participation either as members or observers in CCMs.

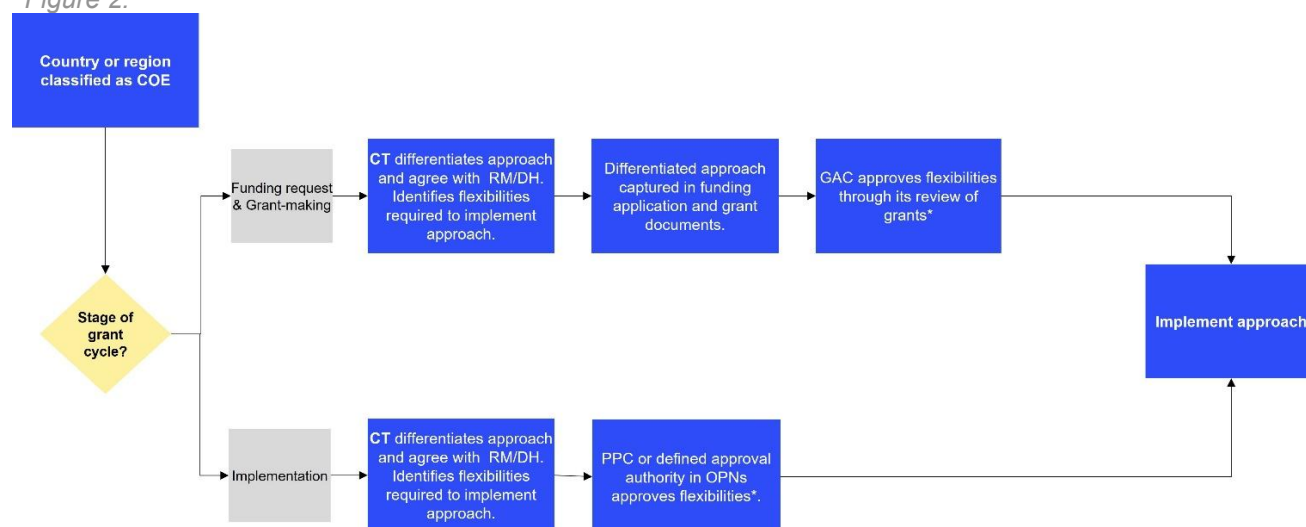
³ Including humanitarian, peace and local organizations working in the most remote and/or conflict-affected areas. This includes coordination mechanisms established in the frame of the Humanitarian Architecture.

- Guides the overall management approach and Global Fund engagement and investment approach in COEs.
 - Defines the core challenges limiting program delivery and achievement of grant objectives.
 - Identifies the regions or zones within the country where a differentiated programmatic and operational strategy is required.
 - Proposes differentiated programmatic and operational strategies, including alternative delivery channels (for example, mobile outreach, community-based distribution, humanitarian providers, remote management structures, third-party monitoring, other), monitoring and assurance for the grants.
 - Identifies if flexibilities are required to operationalize the differentiated approach.
20. **Contingency planning:** In volatile and unstable settings, and in countries prone to natural disasters the PR and the CT decide whether a contingency plan is needed as a mitigation measure to prepare in case risks materialize⁴. Contingency plans are approved by the Regional Manager/ Department Head.
21. **Timelines.** The differentiated approach is defined following the classification of a portfolio as a COE and it is embedded in the grant life cycle processes. When a portfolio is classified as COE prior to the Funding Request and Grant-making stages, the CCM, PR and CT ensure that the COE context and differentiated approach is discussed during country dialogue and considered in the funding application and grant design. When a portfolio is classified as COE during Grant Implementation, the CT and PR(s) determine required adjustments to grants keeping the CCM informed.

B.2. Review and approve the differentiated approach and flexibilities

22. The differentiated approach is discussed and agreed with the Regional Manager / Department Head⁵. The classification of a portfolio as COE does not automatically trigger approval of flexibilities. Instead, flexibilities are identified in response to specific operational challenges that cannot be adequately addressed through standard processes or procedures, support implementation of the differentiated approach, and are subject to Global Fund approval.
23. The process for review and approval of the differentiated approach and flexibilities is summarized in Figure 2 below:

Figure 2.



* If applicable.

⁴ For additional information on Contingency Planning, see the Information Note “Contingency Planning in COEs”.

⁵ For portfolios in High Impact Departments.

24. When the differentiated approach is developed during Funding Request and Grant-making stages, it is translated into the grant design and embedded into the grant documents which will follow the approval processes outlined in the [OPN on Design Funding Requests and Sign Quality Grants](#). As part of Grant Approvals Committee (GAC) review and recommendation of the final grants, GAC approves the required flexibilities.
25. When the differentiated approach is developed during grant implementation, the Portfolio Performance Committee⁶ (PPC) approves the required flexibilities. If the required flexibilities are already covered in existing operational policy exceptions, then the relevant OPNs are followed.

C. Implement the differentiated approach

26. Monitoring and oversight of the differentiated approach is integrated into the Global Fund's implementation oversight processes, as outlined in the [OPN on Oversee Implementation and Monitor Performance](#), adapted to address the specific operational challenges in COEs and the defined approach.
27. In COEs, this process requires regular engagement among the CCM, PR, CT and in-country stakeholders, including those organizations working specifically in the areas or regions most affected by conflict, emergencies and crisis, to monitor the implementation of the differentiated approach, suitability and to jointly define adaptations to address implementation bottlenecks and to achieve agreed targets.

C.1. Monitor and oversee implementation

28. **Prioritization of implementation oversight activities.** CTs ensure that oversight of the differentiated approach related activities is included in the prioritized oversight and assurance activities.⁷
29. **Routine monitoring.** CTs monitor implementation of the differentiated approach through routine grant oversight activities. This includes verifying that the differentiated strategies and any approved flexibilities are operationalized.
30. **Assessment of Grant Performance.** As part of its assessment of grant performance, CT analyzes how the differentiated strategies and, where relevant, approved flexibilities have impacted on continuity of services and overall grant performance. CTs may include in Performance Letters their findings related to the implementation of the differentiated approach, along with actionable recommendations.
31. **Grant Management Division Oversight.** Regional Managers, Regional Department Heads, and the Division Head provide guidance and oversight to CTs on the implementation of the differentiated approach. They are the first point of escalation for issues requiring management decisions, strategic steer on flexibilities or adaptations.
32. The **PPC** provides strategic cross-functional steer and identifies areas where additional support, flexibilities and adaptations that may be needed to maximize.

C.2. Share lessons learned and best practices

33. The ICOE team, in coordination with the CTs, leads the collection, documentation and dissemination of differentiated approaches, best practices and approved flexibilities. A repository is updated for each grant cycle, and serves as basis to promote cross-learning among CCMs, PRs, and CTs.

⁶ Per EGMC's delegated authority.

⁷ In line with the processes outlined in the [OPN on Oversee Implementation and Monitor Performance](#) and in the [OPN on Country Risk Management](#).

D. Specific Multicountry Considerations

34. Multicountry grants generally follow the same requirements set out in this OPN, with the following specific considerations:
- a. For multicountry grants, reference to CCM includes engagement of the Regional Organization (RO) (if applicable), Regional Coordinating Mechanism (RCM) (if applicable) and CCM representatives of all countries included within the grant (if applicable).
 - b. The legal and political considerations and logistics of cross-border implementation are considered when tailoring LFA services.
 - c. The differentiated approaches, including flexibilities, apply exclusively to the countries or regions that have been categorized as COE.

Annex 1. Challenging Operating Environments Deliverables by Portfolio Category

The table below defines the differentiated grant-making requirements for each portfolio category (High Impact, Core and Focused) and for Focused portfolio management models (Aligned, Targeted, Light, Legacy) for country and multicountry portfolios.

Challenging Operating Environments Deliverables	Requirement by Portfolio Category				
	HI & Core	Focused			
		A	T	Li	Le
Determine External Risk Index (ERI)					
Updated ERI	R				
Define and approve the COE portfolio					
Updated list of portfolios eligible to apply the COE policy	R				
Identify challenges and tailor the approach					
Defined differentiated approach	R				
Defined flexibilities (if applicable)	If applicable				
Contingency Plan (if applicable)	BP				
Review and approve differentiated approach and flexibilities					
Approved differentiated approach	R				
Approved flexibilities (if applicable)	If applicable				
Monitor and oversee implementation					
Differentiated approach monitored through implementation oversight and assurance activities	R	BP			
Differentiated approach-related findings and actionable recommendations included in Performance Letters	R	BP			
Share lessons learned and best practices					
Updated repository of differentiated approaches, best practices and approved flexibilities.	R				

Level of Requirements:

R Required
BP Best Practice
- Not required

Notes:

^a Example of note

A Aligned
T Targeted
Li Light
Le Legacy

Annex 2. Examples of differentiated approaches for COEs throughout the grant life cycle

Funding Request and Grant-making

1. **Use of allocation.** In situations of significant cross-border displacement, the Global Fund allocation to a host country may be used to (i) provide services and ensure access to medicines and health commodities for displaced populations seeking refuge, (ii) continue delivering services for the host country's own population. Additionally, the allocation from the country of origin may be applied to services in the host country where displaced populations are located – even if that host country is not eligible for Global Fund financing – provided that:
 - The ineligible host country lacks the capacity to deliver the necessary services through their national health systems, as assessed by the Secretariat on a case-by-case basis; and
 - Services for populations remaining in the country of origin continue, wherever possible.
2. **Grant design.** Where contextual factors affect program management, grant design may be simplified to ensure operational feasibility. The CT may consider innovative grant management approaches, including:
 - Consolidation of multiple disease components into a single grant where the PR has capacity to coordinate across components.
 - Results-based Financing (RBF) with verification approaches adapted to context.
 - Participation in blended financing mechanisms⁸, when this improves coordination and reduces transaction costs, ensuring that attribution, access and audit rights, and traceability of Global Fund funds are maintained.
3. **CCM constituency representation.** CCM leaderships are encouraged to promote participation from humanitarian-sector organizations, either as members, observers, or technical advisors. In countries experiencing significant displacement, direct representation of refugees and displaced populations is anticipated, or, at minimum, ad hoc participation of indirect representation such as humanitarian partners serving those populations.
4. **Country dialogue.** CCMs are expected to engage, from the outset of country dialogue, with stakeholders relevant to the context, to support a participatory approach, inform contextual analysis, address emergency needs, and identify differentiated approaches or flexibilities. Stakeholders may include humanitarian organizations; pre-qualified Emergency Fund implementers; organizations with expertise in migration or displacement; academic institutions, and other organizations or partners with experience related to the COE situation or country context.
5. **Non-CCM arrangements.** 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 platform⁹. To the extent possible, the same principles of inclusiveness and participatory engagement are expected in these exceptional cases.
6. **Alignment with national priorities.** In COEs facing acute or protracted crises, in addition to aligning the request with the National Strategic Plan, where applicable, consider alignment with Health Recovery Plans, Humanitarian Response Plans, and/or other relevant emergency plans established in the country through health coordination mechanisms.
7. **Technical Review Panel (TRP) review.** The TRP and the Access to Funding Department may adopt differentiated modalities and mechanisms for reviewing applications and providing recommendations to Applicants. These modalities and mechanisms will be captured in the TRP Approaches Manual and [Terms of Reference](#).

⁸ See the [OPN on Blended Finance and Joint Investments](#).

⁹ This was the approach followed for the Middle East Regional Grant.

8. **Implementation arrangements.** The suitability of implementers in COEs shall be assessed based on their ability to deliver services in the country context, including underserved, insecure, or conflict-affected areas, and to reach key and vulnerable populations. In countries under [Additional Safeguards Policy \(ASP\)](#), the CT may recommend organizations included in the list of [Emergency Fund](#) pre-qualified implementers, as part of the implementation entities, provided that they have established capacities in the areas of intervention.
9. **Performance framework (PF)**¹⁰. The extent (scale and scope) can be tailored based on the context. Targets should be ambitious in protracted contexts, and more realistic in acute emergencies or volatile environments. In acute emergencies settings, the CT, in consultation with the respective disease advisors, may decide to focus reporting on selected indicators that are relevant for tracking. In this case, the remaining indicators are deactivated for the relevant period and do not affect the grant rating.
10. **Monitoring and Evaluation (M&E) Plan.** In acute emergencies and unstable contexts, and on an exceptional basis, the Global Fund may approve, in a case-by-case basis, the use of a grant-specific M&E plan instead of a national M&E plan.
11. **Contingency planning.** PRs in COEs are encouraged to plan for contingencies. A comprehensive analysis of external risks¹¹, including, but not limited to changes in the context including related to conflict and disasters (including extreme weather and climate events), is particularly important¹².

Grant Implementation

12. **Reporting requirements submission deadlines:** Recognizing the capacity challenges in data collection and reporting in COEs, refer to the [OPN on Oversee Implementation and Monitor Performance](#) for flexibilities on reporting requirements submission deadlines for COE portfolios.
13. **Assurance.** Providers could be expanded beyond the traditional service providers, especially where there is poor access to certain areas in COEs. The CT can consider alternative service provider approaches if Local Fund Agents (LFAs) do not have access to certain service sites in some geographic regions. For example, the CT may plan for budgets to remunerate local service providers or humanitarian organizations, for M&E verification and assurance work, or triangulate data from different sources and partners to verify program quality.
14. **Supply chain.** The PR may choose to contract with established supply chain and logistics management agents or service providers acceptable to the Global Fund, such as humanitarian agencies and [Emergency Fund](#) pre-qualified organizations to manage the transfer of goods and commodities financed with grant funds until they reach the target populations.
15. **Grant revisions.** In COEs, PRs and CTs are expected to proactively and regularly assess the need for grant revisions to ensure programs remain relevant, feasible, and responsive. Where contextual changes affect implementation, grant revisions should be initiated.

¹⁰ This is applicable for Funding Request, Grant-making and Grant Revision stages.

¹¹ External risks refer to in-country risks driven by political, economic, social, technological, environmental, or legal factors that can have an impact on grant implementation, but which are typically outside the span of control of the GF and grant implementers. Generally, the grant implementer's influence to reduce the likelihood of external risks is minimal, but they may have more influence to reduce the impact of external risks through contingency planning. Examples of external risks include political changes, civil unrest, armed conflict, natural disasters, macroeconomic changes, and epidemic outbreaks, to name a few.

¹² Additional guidance on developing contingency planning might be found in the Information Note on Contingency Planning for Challenging Operating Environments (COEs).