



The Global Fund / Karin Schermbrucker

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# Global Fund Approach to Risk Management

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LFA TRAINING 2019/2020

 **The Global Fund**

# Global Fund Risk Management Framework

Delivering results and impact

*In the context of grants*

## Achieving Health Impact through Grant Objectives (Mission)

### Activities to reach Grant Objectives (Execution)

Program Activities

Flow of Data

Flow of Funds

Flow of  
Commodities

Program  
Management

### Inherent Risks of Activities

- Program Quality

- Strategic Data  
Quality & Availability

- Accounting &  
Financial Reporting
- Grant-Related Fraud  
& Fiduciary

- Procurement
- In-Country Supply  
Chain
- Quality of Health  
Products

- National Program  
Governance and  
Grant Oversight

## Assurance Mechanisms (Local Fund Agents, Partners, External Audit, etc.)

**1<sup>st</sup> Line of Defense:**

**Business Functions**  
(e.g. Grant Management)

**2<sup>nd</sup> Line of Defense:**

**Oversight Functions**  
(e.g. Risk Department, Program Finance)

**3<sup>rd</sup> Line of Defense:**

**Independent Assurance**  
(e.g. OIG)

# The four stages of our risk management lifecycle.

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## • Evidence based Risk identification

- A risk statement identifies the affected objective, the element of uncertainty, and the root cause.
- The risk is rated based on the likelihood and severity of the foreseen risk.
- The risks are prioritized for strategic action.

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## • Risk mitigation

- Mitigation strategies address the root causes of the risks identified
- Mitigating actions are consistent with, and appropriate to the risk level
- Clearly identify responsibilities and milestones.

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## • Monitoring and reporting

- Ensures policies, procedures and guidelines are in place and kept up to date to provide a proper, auditable control environment.
- Key milestone tracking to allow for early warning when there are deviations from the plans.

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## • Assurance

- Assurance activities verify that mitigating actions are having the intended effect of manage the risk to an acceptable level
- An assurance activity is planned for all key risks and mitigating actions that have been identified in a grant.

# Global Fund Risk Management framework

## Why the emphasis on risk management?

- The need for **strong risk management at all levels is critical** to ensuring that the **Global Fund fulfills its mission**.
- Since 2014, significant advances in establishing necessary **risk management architecture** and **operationalization of policies** to deliver on the board approved risk management framework.
- **Effectiveness of the Global Fund's risk management strategy** dependent on **CCMs, PRs and other implementers** who are in charge of actual implementation of programs.

## What are we trying to achieve?

- ✓ In-country ownership of risk management monitoring
  - Enhanced capacity for **accurate and agile risk identification and effective risk mitigation at country level**: PR, SR, CCM
  - **Increased consistency** in risk management activities, including:
    - LFA **to pro-actively monitor** changes in risk profile and communicate **emerging risks** to the Global Fund
    - introduction of guidelines for PR risk management practices
    - guidelines for risk management oversight by CCMs
- ✓ **Proactive risk management** by Country Teams

# Global Fund Risk Management Framework

## A Journey

- The Global Fund has developed its risk management framework and designed / enhanced a number of tools and processes:
  - The **Integrated Risk Management module** integrates capacity and risk assessments and is used by all High Impact and Core portfolios;
  - The **Portfolio Performance Committee reviews** offer a platform to understand program performance, financial absorption, risk assessments, make trade off decisions, and accept risk;
  - **In-country risk workshops** have taken place in most High Impact and Core portfolios; and
  - **Risk appetite has been** set to provide a structured framework for taking more informed risk trade-off decisions and accept risks.

# Global Fund Risk Management Framework

## Risk Appetite

- The Global Fund Board approved [Risk Appetite for 9 organizational risks](#) in May 2018.
- Reflects the risk management philosophy that our Board wants the organization to adopt and, in turn, influences our risk culture, operating style and decision-making.
- [Risk Appetite](#) is the amount of risk that the Global Fund is willing to accept in pursuit of its [strategic objectives](#). It is a resource that helps:
  - balance fiduciary risks and programmatic impact
  - understand and approve levels of risks
  - make trade off decisions in an informed manner
  - assess and approve grant flexibilities in different environments
  - hold stakeholders accountable, especially when risks are to be reduced
- In the course of the next 3-5 years, particular attention needs to be paid to [Program Quality, M&E Systems and Data Availability, Quality and Use, and In-Country Supply Chain](#): to reduce all 3 from high to moderate.
- Effort also needs to be invested to ensure [fraud and fiduciary risk](#) as well as [accounting and financial reporting by countries](#) remain at a moderate level.

# Global Fund Risk Management Framework

## Board Approved Risk Appetite

Key Grant-Related Risk	Current Risk	Risk Appetite	Target Risk	Indicative Timeframe for Achieving Target Risk
1. In-Country Supply Chain	● High	● High	● Moderate	4-5 years
2. Program Quality	● High	● High	● Moderate	4-5 years
3. Strategic Data Quality and Availability	● High	● High	● Moderate	3 years
4. Grant-Related Fraud & Fiduciary	● Moderate	● Moderate	● Moderate	N/A
5. Procurement	● Moderate	● Moderate	● Moderate	N/A
6. Accounting and Financial Reporting by Countries	● Moderate	● Moderate	● Moderate	N/A
7. National Program Governance and Grant Oversight	● Moderate	● Moderate	● Moderate	N/A
8. Quality of Health Products	● Moderate	● Moderate	● Moderate	N/A

● - Very High | ● - High | ● - Moderate | ● - Low/Moderate | ● - Low

# Global Fund Risk Management Framework

## Integrated Risk Management module

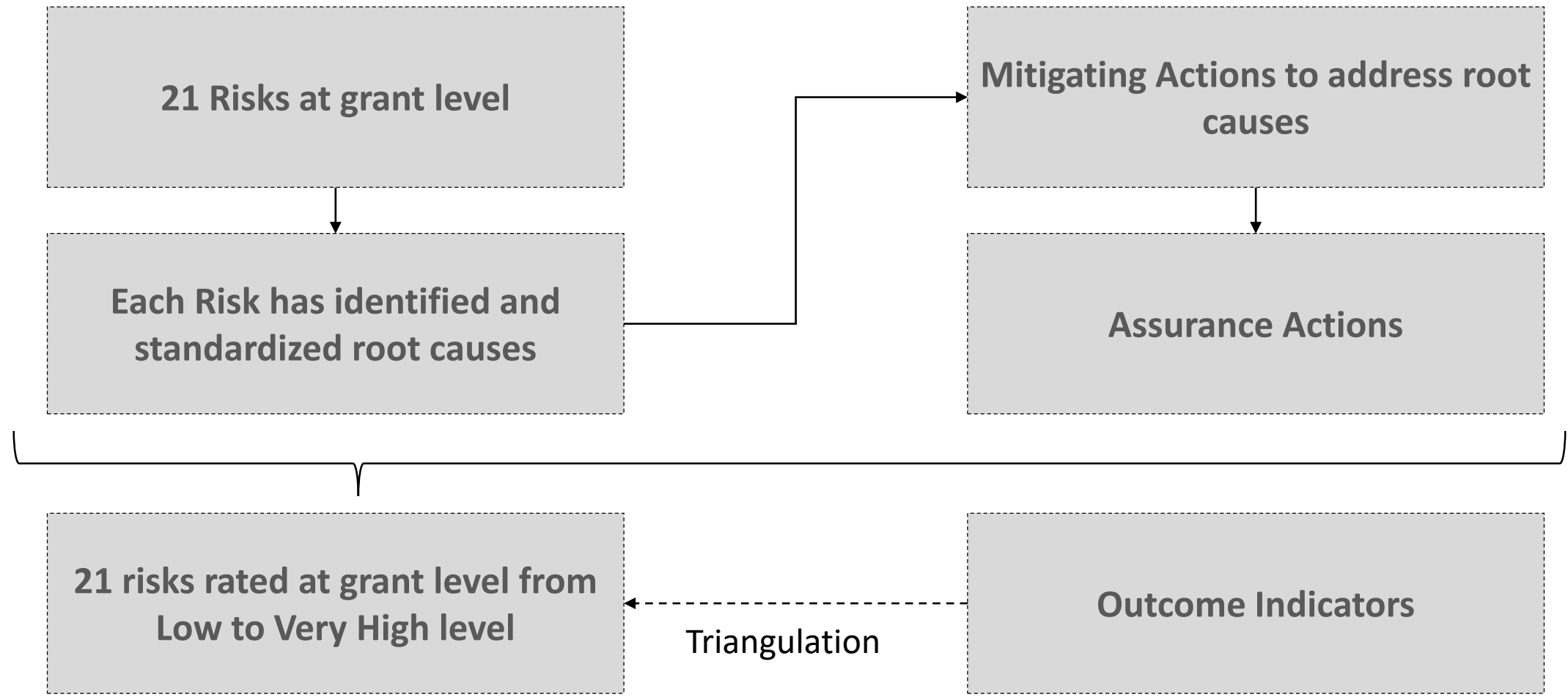
- 53 HI/Core grant risks were assessed using the IRM module.
- IRM integrates capacity assessment with risk assessment. It also is linked to GF disbursement module.
- There is far more transparency on root causes as they are standardized for each risk and focus is now made to align assurances to key mitigating actions and root causes.
- Outcomes indicators are used to triangulate with the risk levels determined.
- The grant ratings from the IRM are used to assess whether the organization is within the Board set Risk Appetite



# Global Fund Risk Management Framework

## Integrated Risk Management module

**LFA Input:**  
Capacity Assessments  
PU – Key Findings and Recommendations  
Providing Assurance



# Global Fund Risk Management Framework

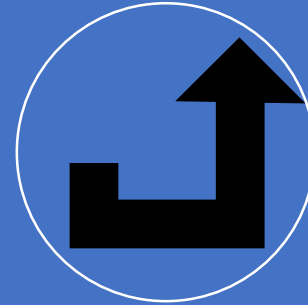
## Integrating Risk Management in Grant Management



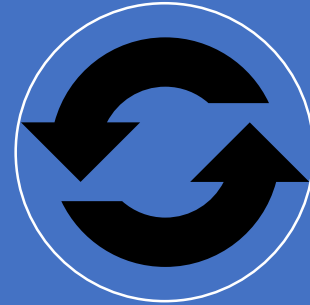
Effective risk management **tools and systems** at **Secretariat and implementer** levels



**Alignment** across partners on risks, mitigation and assurances



**Risk Appetite** framework to support **decision making and trade offs**



Integrating risks in **decision making processes**



# Embedding Risk Management

## Effective risk management

Achieving impact starts at the grant level, managed by in-country stakeholders working in partnership with the Global Fund:

- Are the **risks rated appropriately** following the risk definitions?
- Is the **risk prioritization** based on a clear logic (risk levels and root cause analysis)?
- Ability of the **mitigation actions** to have positive effect (critical look at the nature of the activity and responsible party/availability of budget etc.) and help accomplish grant objectives and impact
- Are the **assurance activities** matching the prioritized risks?
- Is there a **balance** between programmatic, supply chain, and financial assurance plans?
- Is there a good **mix of assurance providers** considering factors such as country context, availability and quality of providers?
- Ongoing update & real-time use in grant making decisions **throughout the grant cycle.**

Robustness in risk prioritization and rating as well as actionable mitigating actions with balanced assurances are critical to effective risk management and achieving progress towards health outcomes.