



INFORMATION SESSION FOR PRs, CCMs and LFAs

Global Fund Risk Management

15 October 2023

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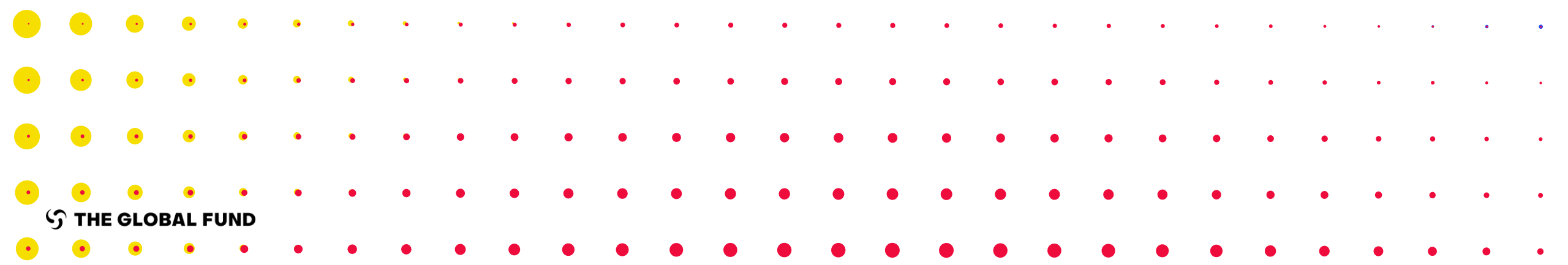
Q&A



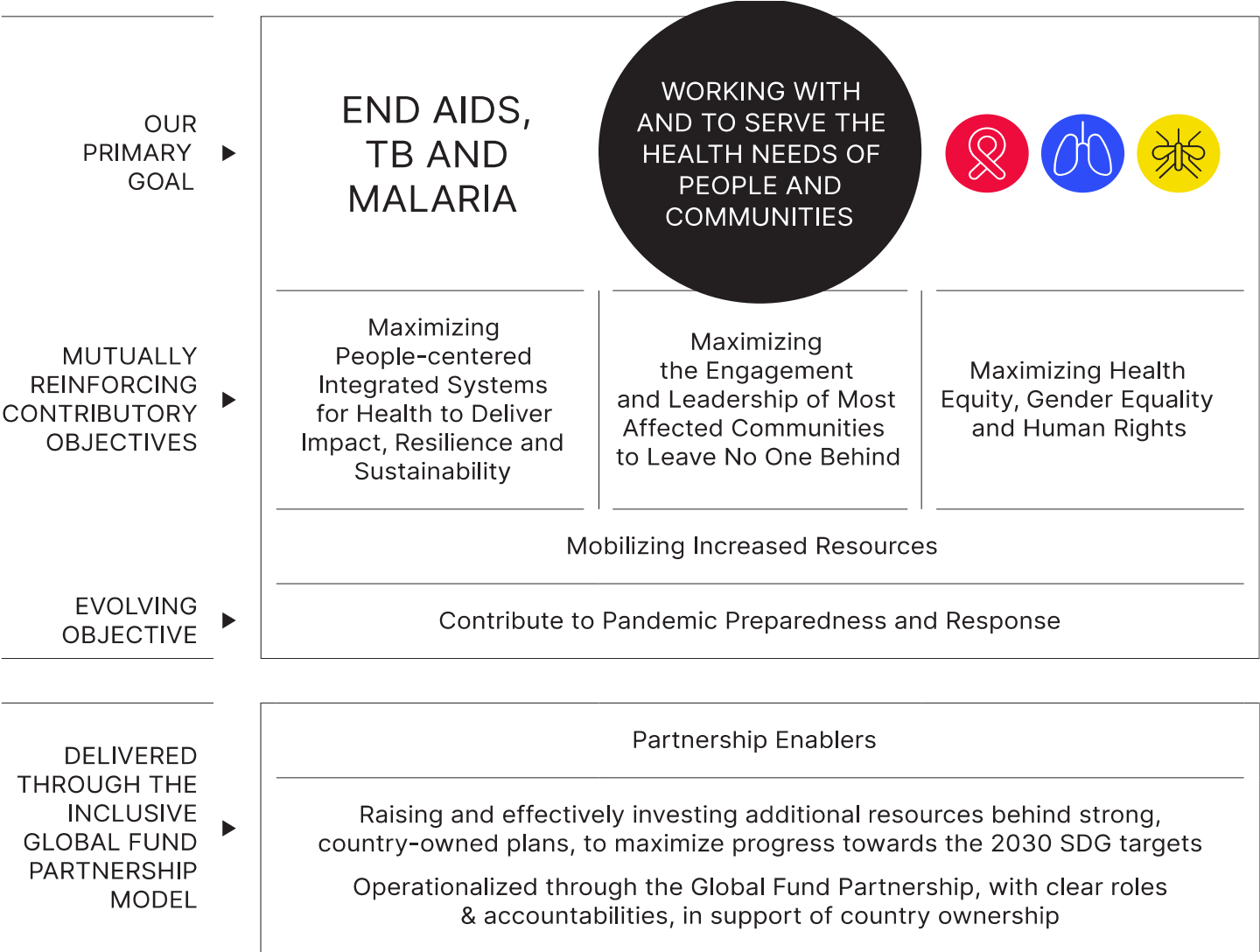
1

The Global Fund Strategy

Our primary goal, objectives, delivery mechanism



Fighting Pandemics and Building a Healthier, More Equitable World 2023-2028



- **Our primary goal is to end AIDS, TB, and Malaria.**
- **People and communities are at the heart of our Strategy.**
- **Achievement of the primary goal is supported by 4 mutually reinforcing contributory objectives and an evolving objective.**
- **Partnership Enablers outline roles and accountabilities of all stakeholders.**

2024 Results Reports

Key results for 2023



65
million

**lives saved through
the Global Fund
partnership.**



25
million

people on
antiretroviral therapy
for HIV in 2023.



7.1
million

people treated
for tuberculosis
in 2023.



227
million

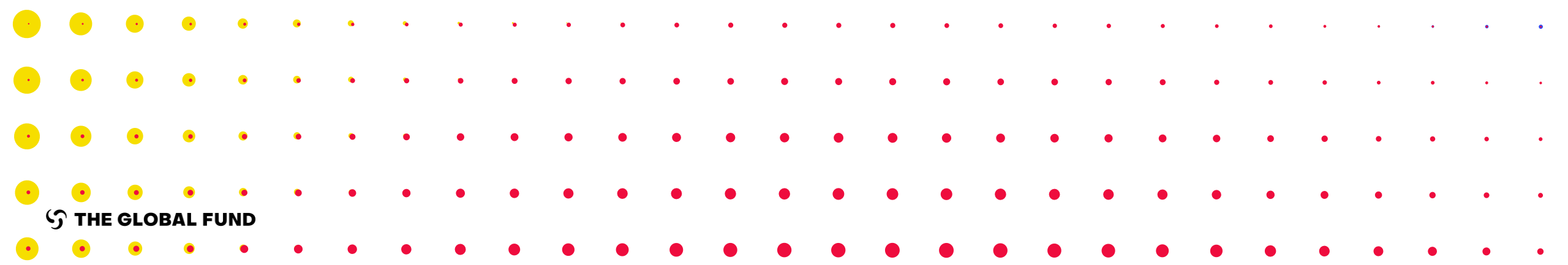
mosquito nets
distributed to fight
malaria in 2023.



2

Concepts

Definition, objectives, types of risks



Definitions and concepts (1/2)

Risk in the Global Fund Context

A risk is an **uncertain event or condition** that, if it occurs, will **adversely impact** the achievement of the Global Fund's strategic and operational objectives.

To understand the level of risk, both the **level of ambition** and the **gap to target** should be considered. The higher the ambition of the program and greater gap to target relative to baseline performance, the higher the risk level, which indicates it is more challenging to realize grant targets and objectives.

Key Concepts

Inherent Risk

The level of risk before any controls or mitigating actions are put in place.
(i.e. the natural level of risk inherent in a process or activity without doing anything to reduce the likelihood or mitigate the severity of the risk event occurring)

Residual Risk

The current level of risk after the application of controls or mitigating actions.
(i.e. controls or mitigants already in place and operating effectively)

Target Risk

The future level of risk after the application of any new or additional controls or mitigating actions. The target risk timeframe is the time needed to achieve the target risk level.
(i.e. what will be the risk level after a period when a new mitigation action or control is operating effectively)

Definitions and concepts (2/2)

Risk Management

A set of activities implemented by the **Global Fund Secretariat to identify, assess and control** risks to the achievement of its objectives. The Global Fund's response focuses on the negative impact, threats and failures related to risk. Risk management is integral to the Global Fund's operating model and continues to evolve as the organization's maturity advances, in line with changes to the broader operating context.

Risk Management Principles

Integrated

Risk management needs to be **integrated into business processes and decision-making structures**, and supported by a positive risk culture, to ensure it is an ongoing activity across all levels of the organization and at all stages of the organization's life cycle.

Differentiated

Resources should be **prioritized and targeted in areas where there are high risks to achieving the organization's strategic objectives**. Mitigating actions and controls should also be proportionate to the level of risk and tailored to the operating context.

Proactive

The risk landscape should be **continuously monitored to anticipate emerging risks and facilitate a timely risk response**. This needs to be underpinned by continuous improvement and adaptation of risk management processes, systems, and tools.

Data driven

Decision making should be **data driven** and informed by an **evidence based** that draws on both historical and forward-looking data.

Transparent

Transparent risk management activities facilitate **inclusive** dialogue, debate, and decision-making with **clear accountability** for the execution of risk management policies and processes.

Balanced

Reducing risk in one area may increase risk in another area. The impact of mitigating actions and controls therefore should be continually **balanced against the goal of delivering on strategic objectives, within the context of an agreed appetite for risk**.

Why manage risks?



Risk management is a key element in the Global Fund's grant life cycle.

Its purpose is to anticipate different factors which may impact the successful outcomes of programs, and design controls and mitigating actions to ultimately ensure that objectives are met.

Benefits include:

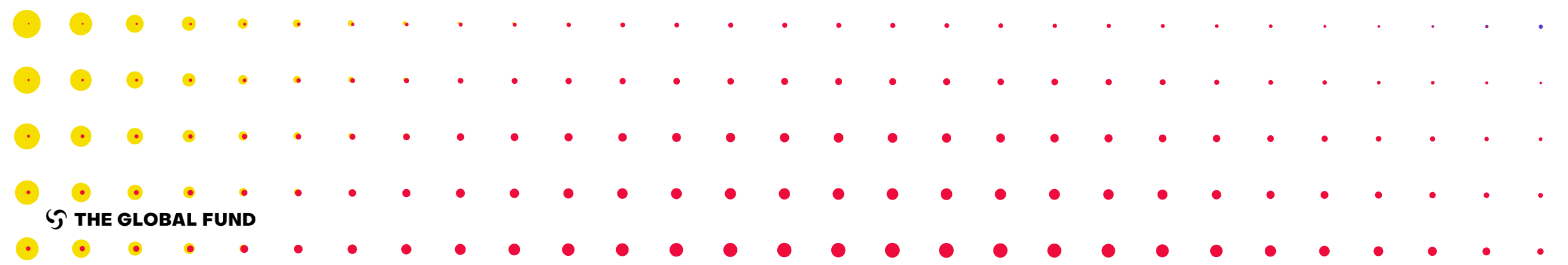
- **Enable programs success:** Improve the chances to achieve the Global Fund operational and strategic goals, as set out in the Global Fund's Strategy.
- **Guide decision-making:** Identify, prioritize and monitor significant risks, enabling management to make informed decisions and take timely and consistent actions.
- **Provide risk advice across all stages of the grant life cycle:** Advise on the strengths and weaknesses of a decision alternative and provide recommendations.
- **Create trust and alignment:** Provide assurance to donors and the Board that the funds are appropriately used and promote alignment.
- **Prevent reputational issues:** Ensure the Global Fund avoids scenarios in which its reputation may be at risk. Contain the reputationally risky scenarios and lower the chance of escalation and widespread harmful consequences.
- **Improve communication:** Promote risk communication within the Secretariat by creating focal point of discussion for all risk data and circulating reports and analysis. Set expectations and relate data to organizational goals.
- **Support the effectiveness of daily operations:** Increase implementers operational readiness and ability to achieve greater impact through operational flexibility.
- **Benefit culture:** Create a mindset of anticipation and safety across the Global Fund. Influence the actions of all stakeholders by setting expectations of performance and sending a solid and structured image to the donors and Board.



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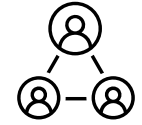
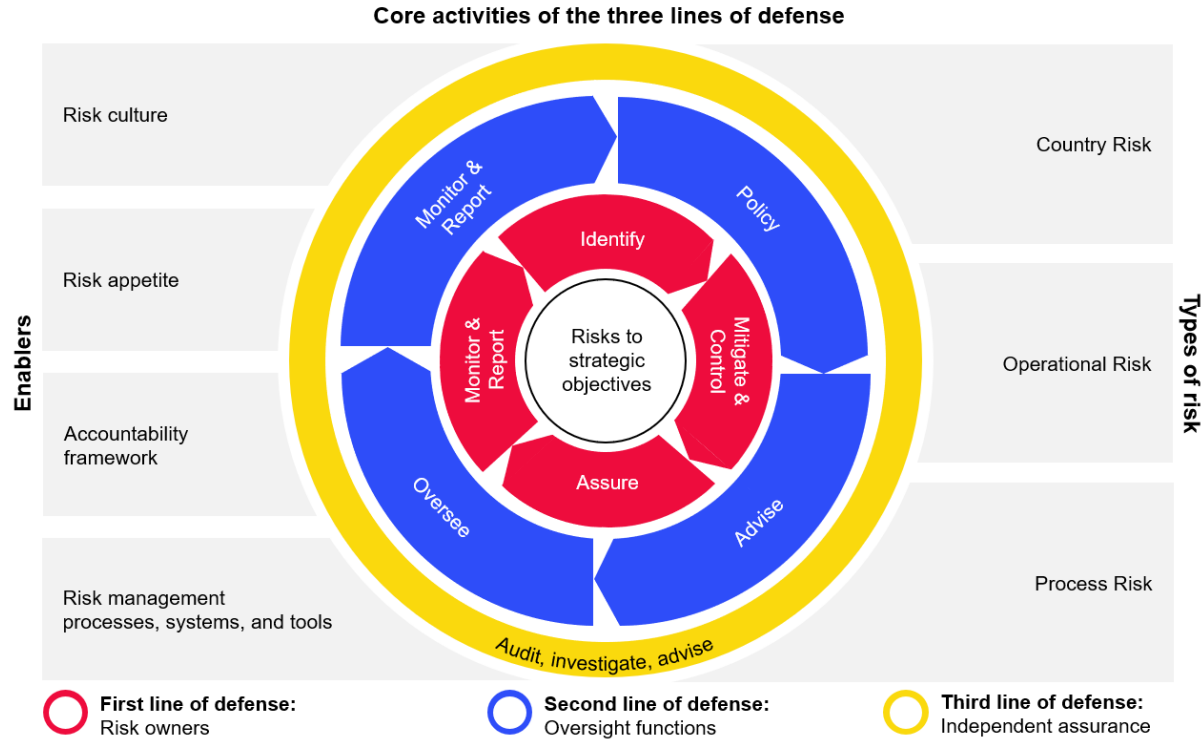
The Risk Management Framework

Roles & responsibilities, enablers, processes, tools



The Three Lines of Defense Model

The Global Fund employs a three lines of defense model to manage risks to the organization's strategic objectives:



Provides a clear delineation of risk management **responsibilities across different functions** within the organization.



Underpinned by a **common set of enablers**. Highlights how varied activities should be executed **based on their risk type**.

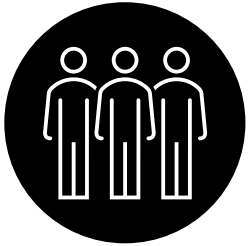


Continuous communication and coordination are key across, and between, all lines of defense.

The Board and its committees are responsible for overseeing the implementation of effective risk management across all three lines of defense.

Additionally, the **front line of defense** is key to managing the risks to achieving grant objectives on a day-to-day basis and is central to effective risk management – see next slide for more details.

Critical role of implementers and other key stakeholders in the three lines of defense model



The **front line of defense**, comprised of in-country actors including:

- **Implementers (PRs, SRs, SSRs);** and
- **Country Coordinating Mechanism (CCMs).**

The front line of defense manages risks to achieving grant objectives on a day-to-day basis.

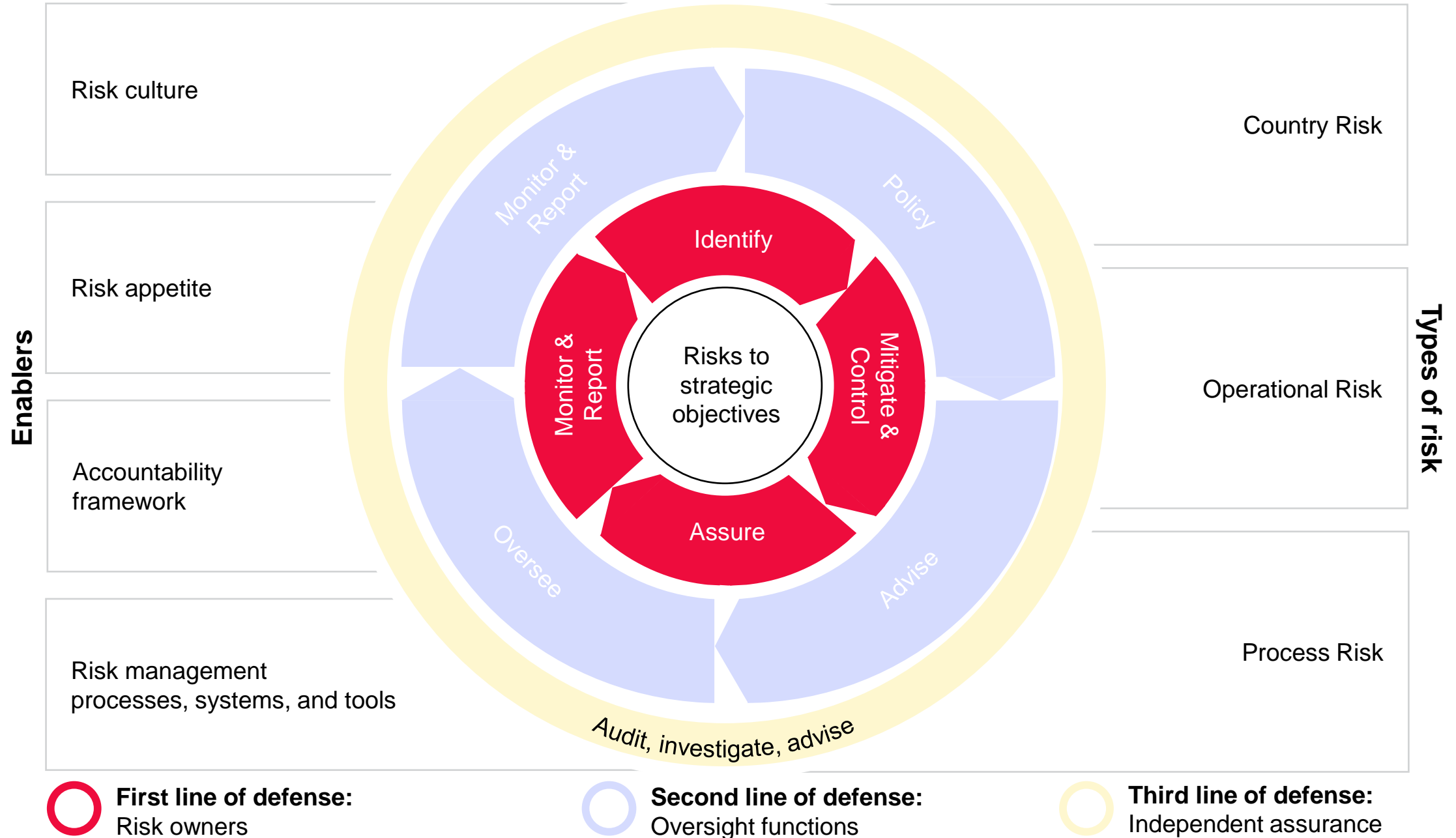
The effectiveness of the Global Fund's risk management strategy is dependent on this group to implement activities that can accurately identify challenges and mitigate risks which can impede the ability of the Global Fund grants to achieve their strategic goals and targets.

The Global Fund collaborates closely with CCMs, implementers, partners, and other in-country stakeholders to align and prioritize risk management activities. These are translated into effective controls, actions and assurances (country, partners and LFA), to remove implementation bottlenecks and ensure effective use of funds.



Local Fund Agents (LFAs) are important to the Global Fund's fiduciary arrangements and a key provider of assurance activities. As such, they are a key contributor to the Global Fund risk management framework and play a central role in the Global Fund's risk management and assurance processes.

The First Line of Defense (1/2)



The First Line of Defense (2/2)

The first line of defense is made up of **Secretariat business functions responsible for delivering core activities**, such as the Grant Management Division and Country Teams. It owns and manages risks on a day-to-day basis and its core activities are:

Identify:

1

Identify the risks that may prevent the organization from achieving its objectives and prioritize those risks by considering the likelihood of the risk event materializing, and its expected impact. *Impact is assessed in the context of each risk type: country risk impact in the context of grant objectives; operational risk impact in the context of strategic objectives; process risk impact in the context of process objectives.*

Mitigate & control:

2

Design and implement ongoing course mitigating actions and controls that will reduce the likelihood of a risk event materializing or its impact. *There are different ways to 'treat' a risk and not all risks can be mitigated. Some risks may need to be accepted. The organization's agreed appetite for risk sets the parameters within which risk may be accepted.*

Assure:

3

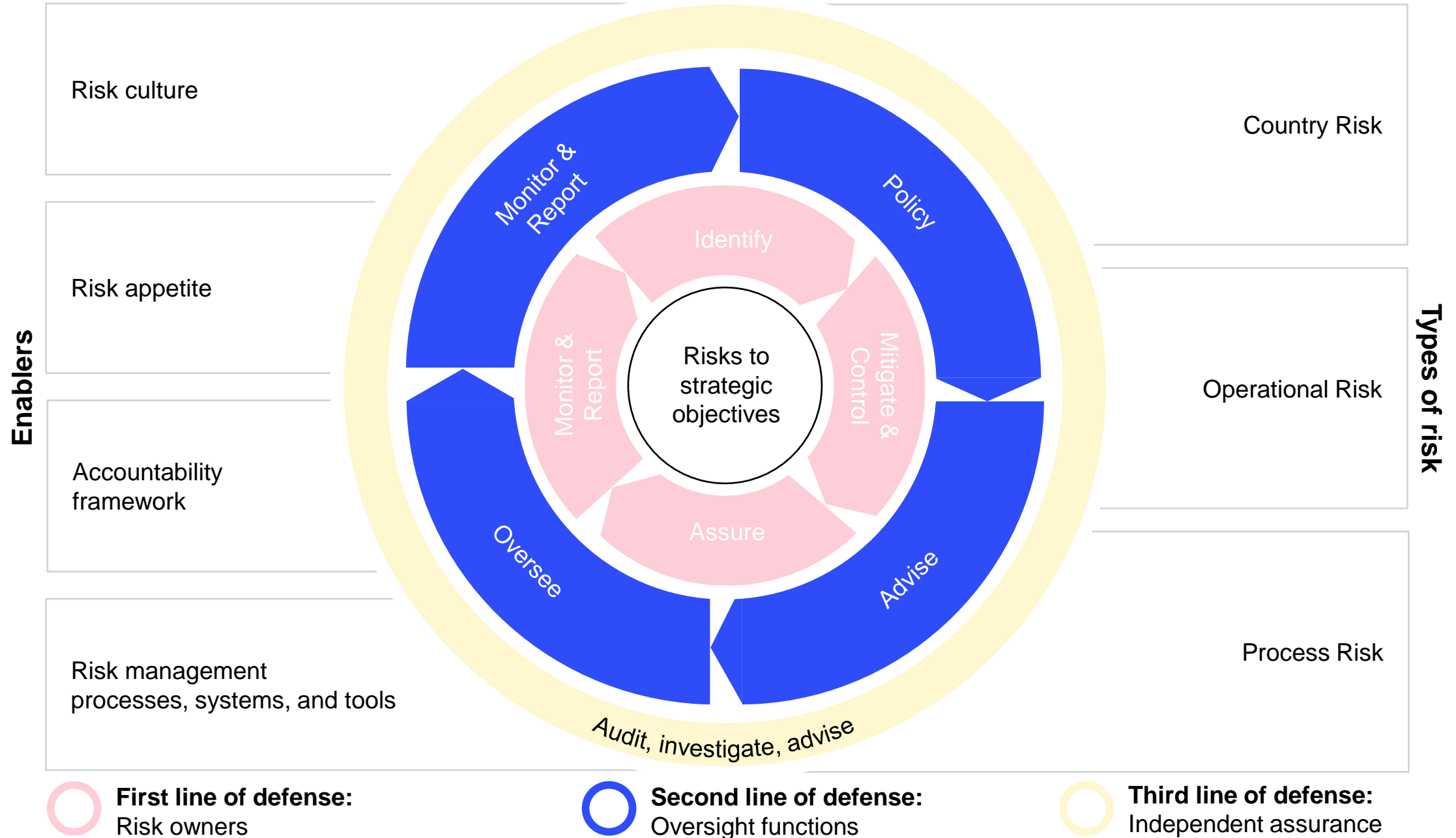
Establish arrangements that can confirm that planned mitigating actions and controls are being implemented and have the intended impact on the organization's ability to achieve its objectives. Assurance activities should also help identify gaps in controls and mitigating actions in a timely manner, to ensure corrective action can be taken.

Monitor & Report:

4

Monitor and report on progress in implementing, and the impact of, mitigating actions and controls and support the identification of emerging risks and issues using data, such as sources which highlight changes in the operating context. *It should inform any adaptations to existing, or the introduction of new, mitigating actions needed in response to emerging risks, and provide ongoing assessment of risk levels and trends.*

The Second Line of Defense (1/2)



The Second Line of Defense (2/2)

The second line of defense is made up of the **business functions responsible for providing oversight**, such as the Risk department, Community, Rights and Gender (CRG) department, Health Finance or Technical Advice and Partnerships (TAP) Disease Advisors. Its core activities are:

Policy:

1

Develop and maintain risk management frameworks, policies, and processes to embed risk management into business processes. This enables both the first and second lines of defense to systematically execute their responsibilities in relation to risk management.

Advise:

2

Provide technical advice to the first line of defense through guidance materials, training and capacity building, and other tools as required. Work with individual first line teams, in line with the principle of differentiation, to provide direction and support in the identification and prioritization of risks, and with the design of mitigating actions and controls.

Oversee:

3

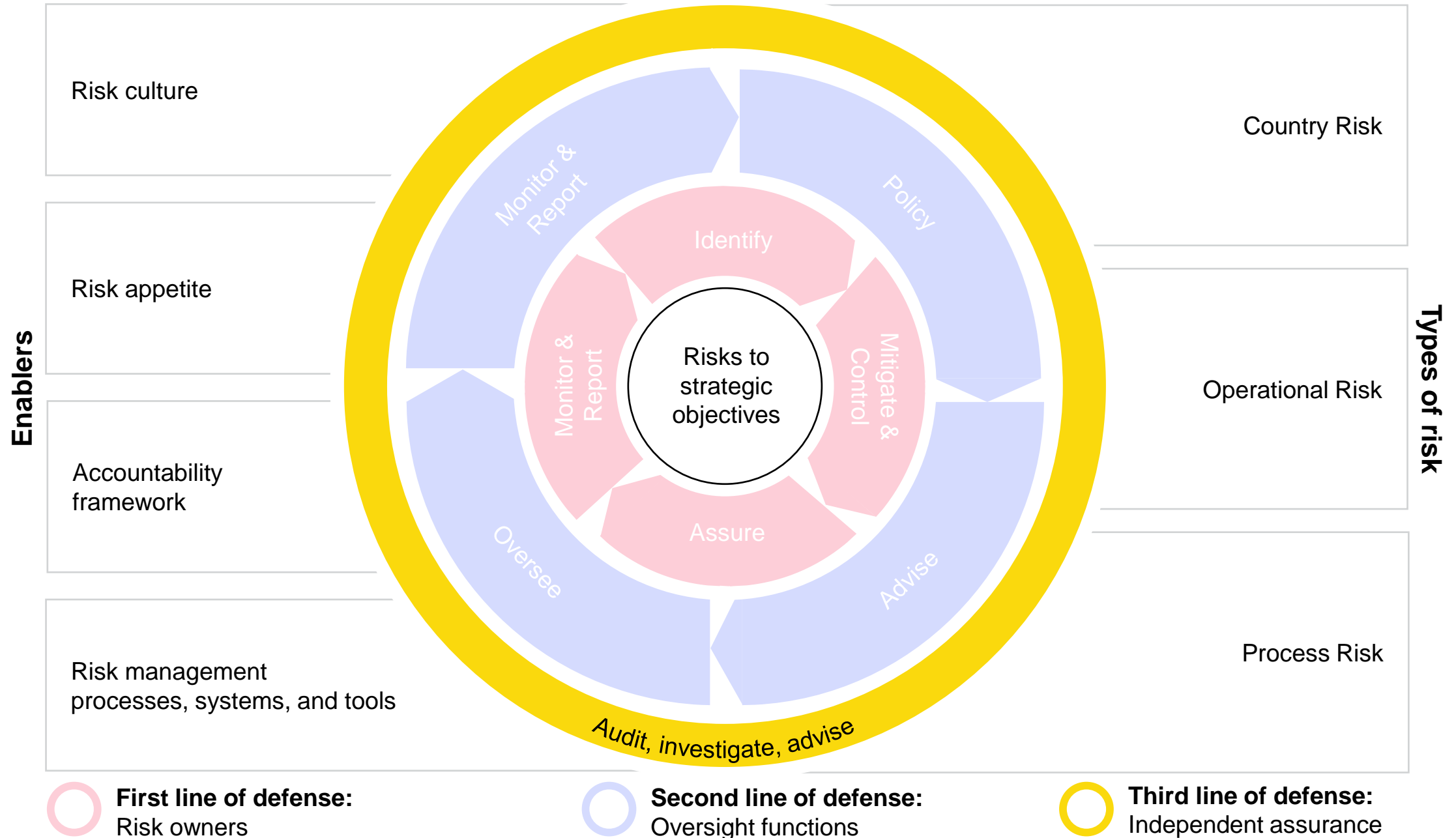
Ensure the first line is executing its risk management responsibilities in line with the relevant frameworks, policies, and processes. Periodically review, assess and, where required, provide guidance on the adequacy of risk mitigation plans and internal controls.

Monitor & Report:

4

Monitor progress in implementing, and assess the adequacy of, mitigating actions. Use a range of data sources to triangulate the assessment of risk levels and trajectories by the first line and identify emerging thematic risks and issues. The Organizational Risk Register (ORR) catalogues the Global Fund's key organizational risks. The ORR is updated quarterly and is submitted to Management Executive Committee (MEC) for review and approval and made available to the Board and its committees.

The Third Line of Defense (1/2)



The Third Line of Defense (2/2)

The third line of defense is the **Global Fund's independent assurance function**, which is represented by the Office of the Inspector General (OIG), as well as other providers, such as external auditors. Its core activities are:

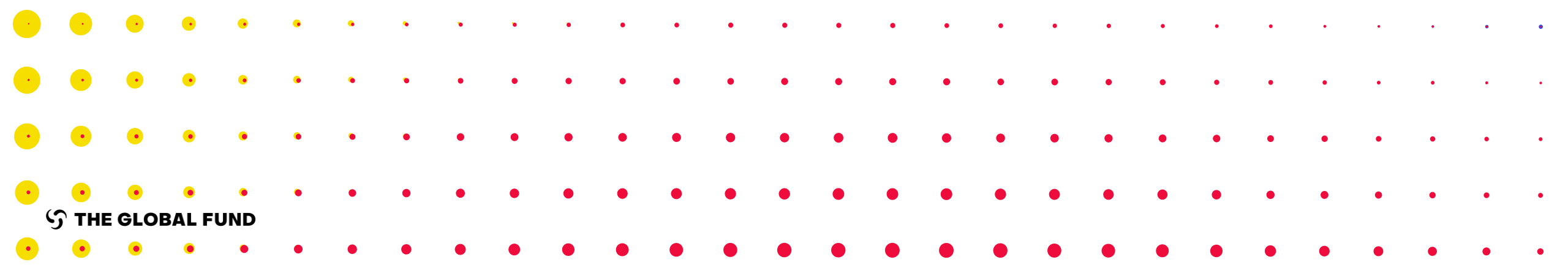
- 1 Independently internal audit the first and second lines
- 2 Conduct investigations
- 3 Provide advisory support
- 4 Provide independent assurance regarding the management of risks and controls



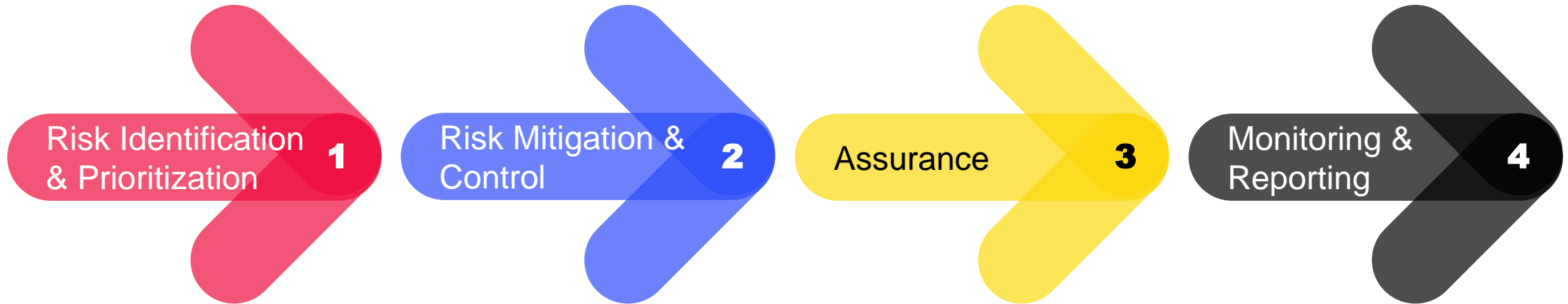
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The Risk Management Life Cycle

Risk identification and prioritization, mitigation and control, assurance, and monitoring and reporting



The four stages of the risk management lifecycle



Risks Identification

The risk management framework that is used to categorize risks and root causes affecting grant implementation is made up of 13 risks and 35 sub-risks

Risks	IV – Program Quality	TB – Program Quality	Malaria – Program Quality	RSSH & Pandemic Preparedness	M&E	Human Rights and Gender Equality	Procurement	In-Country Supply Chain	Quality of Health Products	Grant-related Fraud & Fiduciary	Accounting & Financial Reporting by Countries	In-Country Governance	Health Financing
Sub – Risks	Program Design & Relevance	Program Design & Relevance	Program Design & Relevance	Laboratory Systems	Data Governance & Management	Human Rights	Quantification: Forecasting & Supply Planning	HP Warehousing Systems	Pre-Market Approval and Registration	Flow of Funds Arrangement	Accounting & Financial Reporting	Health Sector Governance	Domestic Health Financing and Co-Financing
	Program Implementation and Efficiency	Program Implementation and Efficiency	Program Implementation and Efficiency	Human Resources for Health	Data Generation, Availability & Quality	Gender Equality	HP Procurement Processes and Outcomes	HP Distribution Systems	Post-Market Approval and Use	Internal Controls	Auditing Arrangements	National Program Governance	Sustainability & Efficiency
				Community Systems and Response	Data Analysis and Use		Non-HP Procurement Processes and Outcomes	HP Information Systems		Financial Fraud, Corruption & Theft		PR Governance	
										Value for Money - Financial Management		Implementation Effectiveness	
												CCM Governance	

1. Risk Identification and Prioritization



Identifying and acknowledging a risk is the first step of the risk management life cycle and a prerequisite for risk management and mitigation. The process for risk identification, as well as overall risk management, needs to be clearly defined.

The risk management process of the Global Fund is integrated into Secretariat processes and structures and corresponds to the organization's needs.

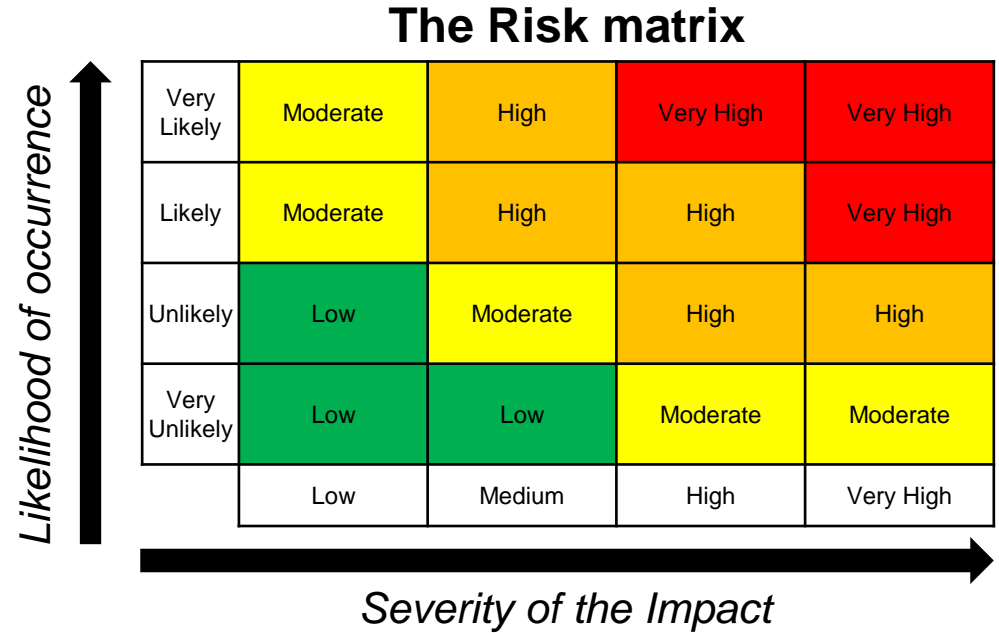
Each organization within the Global Fund partnership should have an established, fit-for-purpose risk management process. Risk information should be shared between all relevant partners to enhance the quality of risk mitigation.

The Secretariat documents its assessment of risks across programmatic and M&E, including human rights and gender related barriers, supply operations (procurement, in-country supply chain and quality of health products), finance (fraud and fiduciary and accounting and financial reporting), and in-country governance in the Integrated Risk Management Module (IRM).

Risk rating methodology

Risks are rated based on likelihood and severity:

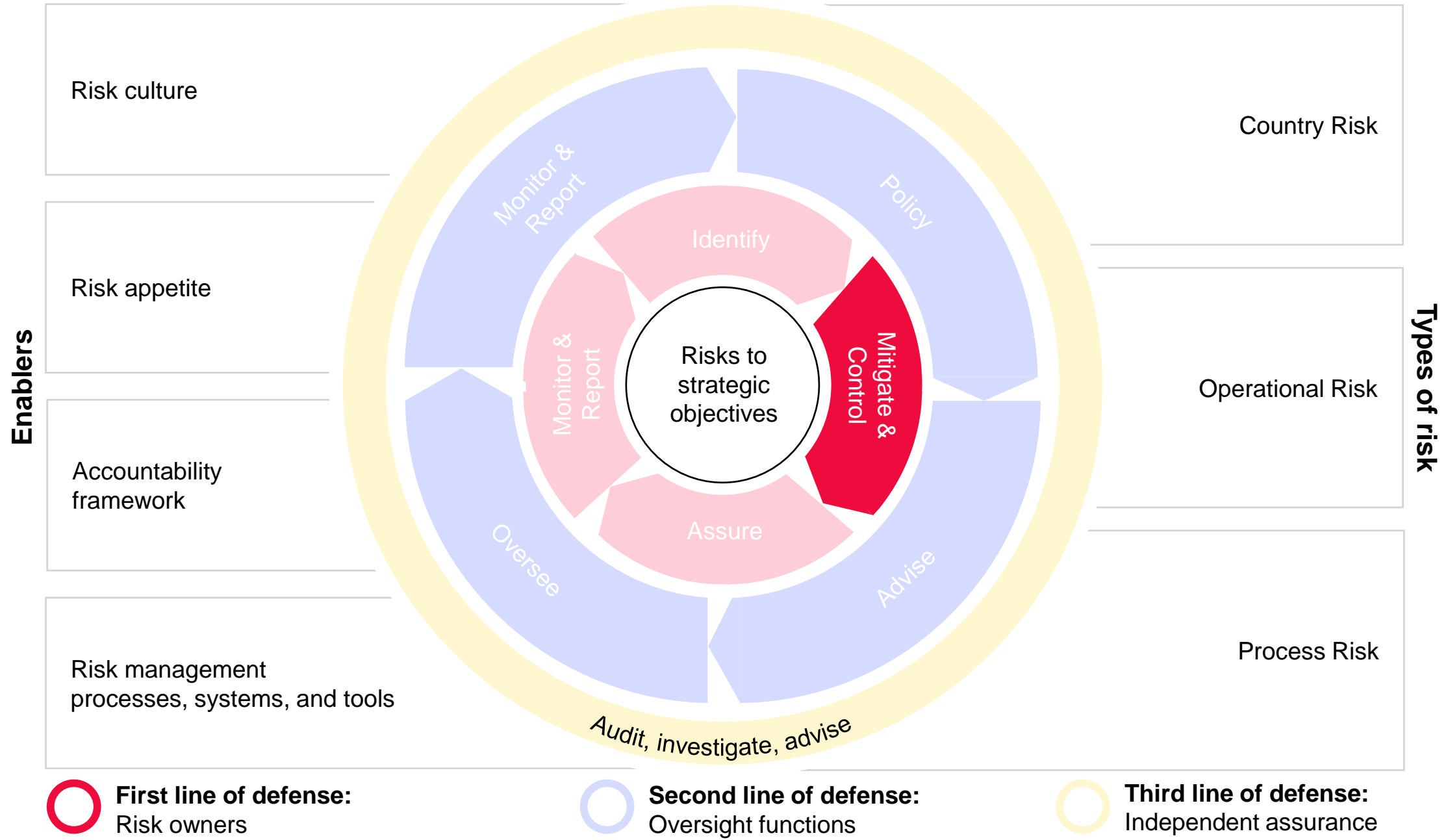
- 1 Define the **likelihood** that a certain event or circumstance will occur. This can be done by assessing the probability or frequency of the event happening.
- 2 Determine the **severity of the potential impact** if the event does occur. This can be done by considering the potential consequences and the extent of the damage that may result.
- 3 Combine the likelihood and severity to create a risk rating.
- 4 Plot the risk rating on a risk matrix, with one axis measuring likelihood and the other measuring severity, to offer a visual representation of the risk analysis and categorize risks by creating a grid with different risk levels.



However, the specific method used to rate risk will depend on the context.

2. Risk Mitigation and Control

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Risk Mitigation and Control

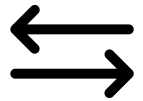
Once risks and root causes are rigorously prioritized, Country Teams and implementers should focus on key actions that will have the most impact on reducing risks.

At the Global Fund we have four strategies to address a risk:



Mitigate:

The most common strategy, address the risk by putting in place a mitigating action or control.



Transfer:

Let another entity, which has better capacity, handle the risk. (i.e. transfer the response to the risk, the mitigation or control, to a Partner or other stakeholder operating in the country).



Accept:

Accept and carry on with the risk.



Avoid:

Stop carrying out the activity that may increase the risk. This happens when the reward is not worth the risk and the cost of mitigating the risk is prohibitive.

Risk Assessment should focus on key mitigating actions (KMA) and other prioritized mitigation actions (MA) that will directly address key bottlenecks to the program achieving grant objectives.

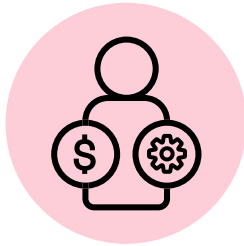
All mitigating actions must meet the five SMART criteria:

- Specific, so what must be implemented is clearly understood.
- Measurable, so its status can be tracked.
- Attainable, within the span of control of the actor to which it is assigned to.
- Relevant to the identified risk.
- Time-bound to ensure exposure to the risk is within agreed limits.

For mitigating actions with a long implementation duration: For mitigating actions that have due dates of 12+ months, **sub-milestones** are recommended to be included as part of the mitigating actions to ensure the mitigant is on track to being completed on time and to an acceptable level.

Formulating a SMART KMA requires focus on all five elements

Example of specific measurable attainable relevant and time-bound KMA



In order to reduce the lead times, starting on 1 January 2025, the HIV PRs will regularly attend monthly meetings with procurement agents and clearance agents to plan and address current and anticipated shipment bottlenecks, including customs waivers.

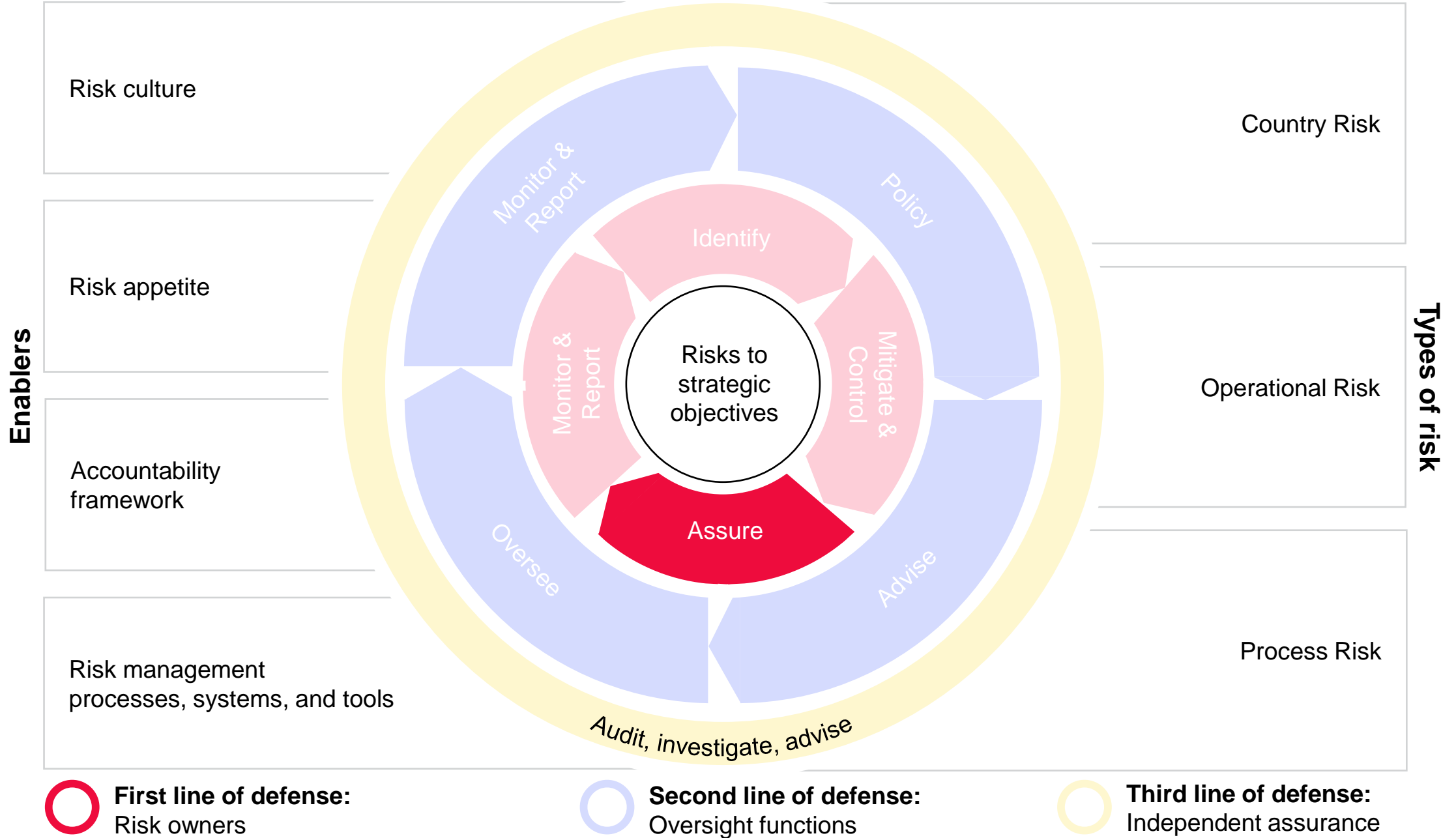
The PRs will retain the agenda, a list of attendants, and decisions made at the meetings, and share those to the CT to evidence attendance and participation at least until December 2025.

- **Specific: Who is in charge?**
The HIV Principal Recipients.
- **Measurable: Can we verify what is expected?**
Effective meetings as evidenced by the PR retaining the agenda, a list of attendants, and decisions made at the meetings.
- **Attainable: Does the actor have the resources available to deliver on the KMA?**
Yes, the HIV PRs have adequate resource to attend and contribute to such meetings.
- **Relevant: Is it relevant to the underlying risk?**
Yes, assuming the underlying risk is around controlling for lead times.
- **Time-bound: Do we specify a timeline?**
Yes, it will be documented and shared with the CT at least until December 2025, which allows the CT to reassess next steps when it reaches the deadline.

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3. Assurance

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What is assurance? A framework that assesses whether adequate controls and mitigating actions are in place to manage key portfolio risks, with the goal of achieving grant objectives.

Assurance planning is at the heart of robust risk management and provides confidence to the Global Fund Secretariat, donors, technical partners, and beneficiaries that investments are made strategically, efficiently and effectively.

Assurance activities include:




- **Setting up independent and objective evaluations of the effectiveness of risk management measures** to address identified risks.
- **Gauging whether adequate controls and mitigating actions are in place** to manage key portfolio risks.
- **Enabling early warning** and help identify gaps in controls and mitigating actions in a timely manner, to ensure corrective actions can be taken.


Examples of assurance activities:


- Capacity assessment of implementers, spot checks, external audits, internal audits and investigations


Characteristics of an Assurance Activity

All assurance activities should have the following characteristics:

 **Independence** - Conducted by individuals/entities that are independent of the mitigating measures being tested or evaluated. These entities may report to the Global Fund Secretariat or the Board but should be separate from the area being reviewed and clear of any conflict of interest.

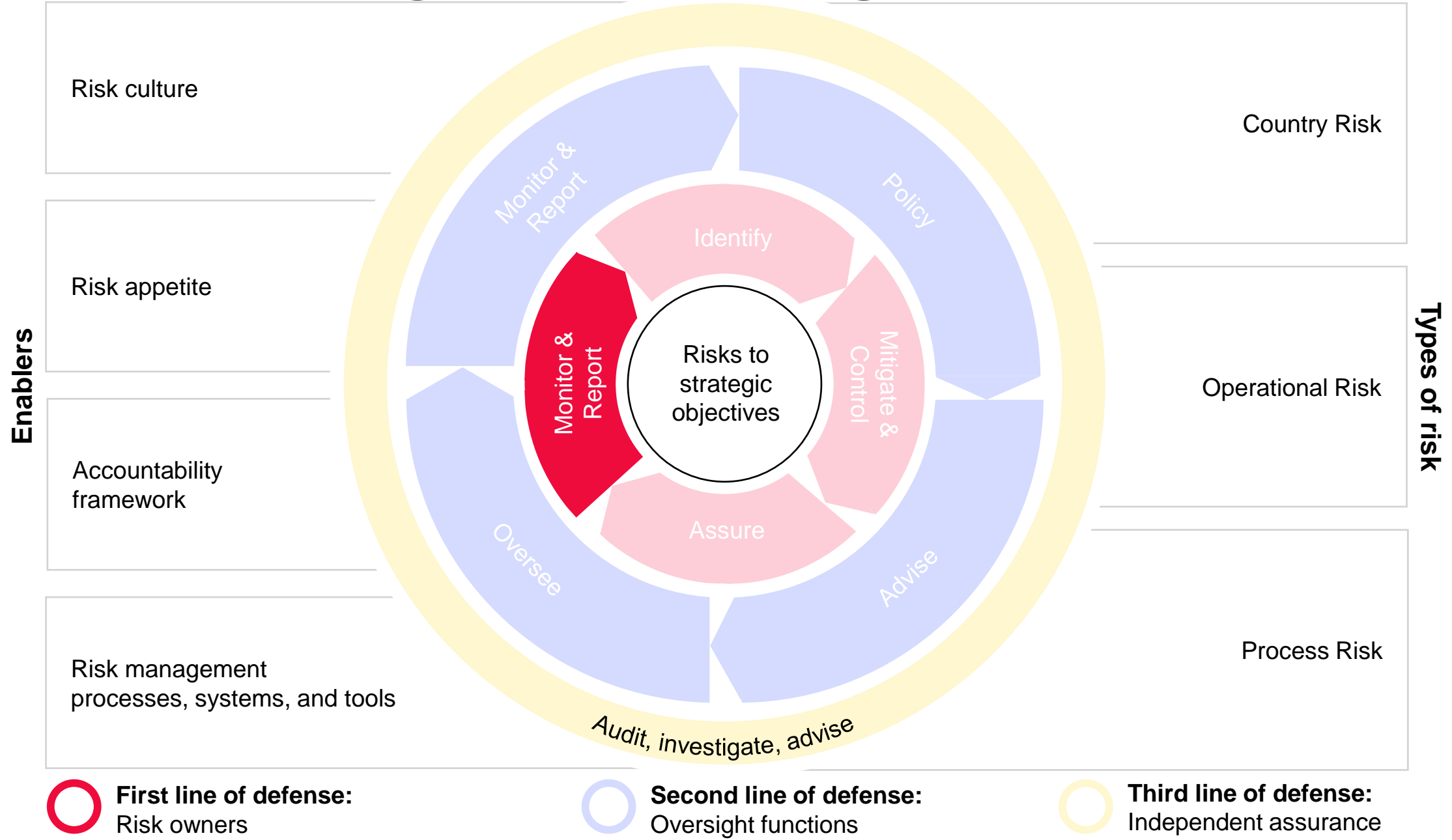
 **Objectivity** - Designed to be objective, meaning that they provide unbiased and impartial information on the effectiveness of risk management processes and controls.

 **Systematic approach** - Conducted using a systematic approach done according to an agreed plan or system that may include testing / analysis / review of application of policies, procedures, and systems, with an emphasis on achieving consistent and reproducible results.











 **Credibility and reliability** - Designed to provide credible and reliable information on the effectiveness of risk management processes and controls.

4. Monitoring and Reporting

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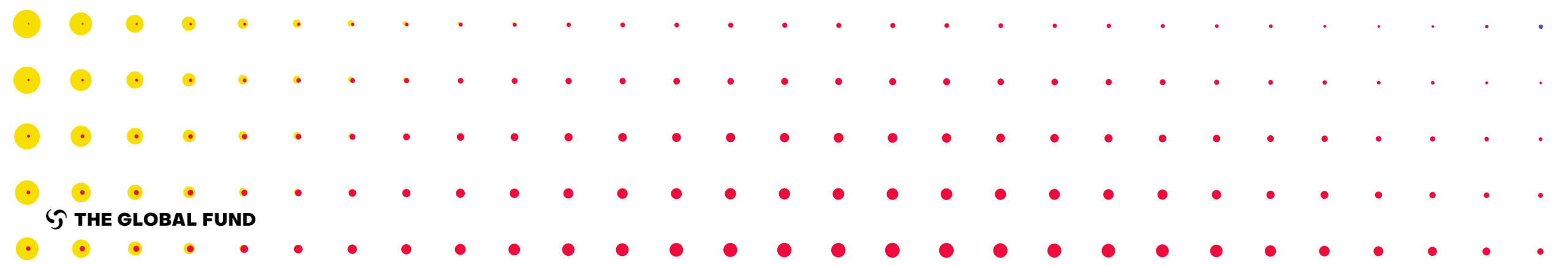


At the Global Fund, we monitor effective implementation at all levels:

	1st Line	2nd Line	Board
 <p>Country Coordinating Mechanism (CCM) oversight: The Country Coordinating Mechanism (CCM) continuously oversees the implementation of key mitigating actions assigned to PRs by and participates in in-country assurance planning and validation exercises in partnership with CTs.</p>			
 <p>Country Team: The Country Teams, as first line of defense, keep the primary responsibility for risk management for the Secretariat, ensuring risks are appropriately rated, emerging risks are identified, mitigations are put in place within agreed timelines and assurances are forthcoming to validate the actions are effective.</p>			
 <p>Key Issues Meeting (KIM): KIM is between the CT and the second line oversight functions, co-chaired by the Head, Country Risk Management and Department Head/Regional Manager, to provide input and feedback to the CT on the portfolio risk assessment articulated through the draft Country Risk Management Memorandum (CRMM). It also provides an opportunity to undertake a cross-functional and transversal review of root causes and drivers of risk, such as fraud risks consistent with the Global Fund Policy to Combat Fraud and Corruption (PCFC), and Value for Money.</p>			
 <p>Portfolio Performance Committee (PPC): The PPC, co-chaired by the CRO and Head, GMD, conducts Country Portfolio Reviews (CPRs) to assess progress towards impact within a specific portfolio, to provide direction on addressing barriers to impact and managing associated risks, and to identify areas where additional support, flexibilities or innovations may be needed.</p>			
 <p>Global Fund Board: The Board ensures that risks are managed within the approved risk appetite threshold, in order to achieve global grant portfolio targets. The Chief Risk Officer (CRO) provides an Annual Opinion to the Board on the overall risk profile of the portfolio.</p>			



5 Q&A



Thank you!



The Global Fund to Fight
AIDS, Tuberculosis and Malaria

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