Aidspan produces new guide to the Global Fund's risk management policy

In November 2014, at its 32nd meeting, the Global Fund Board adopted a new risk management policy that sought to outline in comprehensive detail the shared responsibility within the organization to nurture a culture that encourages prudent risk-taking within the context of maximizing impact of investments in the fight against the three diseases.

This new policy establishes risk thresholds and an operating framework to guide the Secretariat as it assesses the risks vs rewards of investment — in the context of finance, operations and programs.

In charting this new course, and weighing costs against benefits beyond the financial bottom line, the Fund is trying to find balance to ensure that it is able to continue to work in countries that for many other organizations are considered too high-risk: too difficult to work in for whatever combination of political, financial or operational reasons. In doing so, the Fund seeks to mainstream risk management as an integral part of grant implementation.

Elucidating risk management and the terminology and procedures that underpin the concept, is a complicated proposition. It is for this reason that Aidspan developed this paper, to provide an overview of the language and directives the Fund will use, going forward, to identify, manage and, ultimately, mitigate risk in its operations.

Three different categories of risk are identified in the new policy: internal, covering grant management processes; external, including donor policy and the dynamics of the epidemic; and strategic, which relates to the achievement of strategic objectives, partnerships and organizational reputation.

Aidspan’s paper looks at each of the core functions of the approach: identifying, assessing and mitigating grant-related risks, as part of the operational risk management objectives of the new approach.

Included in the paper is a detailed look at the risk assessments of each grant in each country that country teams are carrying out to determine trends or red flags that might compromise the full and effective implementation of the programs and activities envisaged under the grants. The paper also takes a close look at new risk maps being developed within the Risk Management Unit at the Fund, which diagram the links between various actors and the potential stickiness in those links, relationships and engagements that could have an impact on grant activities.

This first phase of Risk Management is confined largely to the Fund’s own operations. The next phase will see a refinement of the approach and its application at country level, with new requirements for how country teams should engage with implementers, country coordinating mechanisms and partners on how to most effectively manage risks in-country.

In many those countries identified as high-risk and even in others, this process has already begun. One country manager, for example, has mapped all of the sub-recipients of grant funding in that country in order to trace with greater certainty what happens when funds are disbursed to the principal recipient. Other countries have used risk mapping and risk management to determine which regions are most vulnerable to programmatic risk, and act accordingly.

There are always costs to reducing risk; the lower the risk threshold, the higher the cost will tend to be. Conversely, without risk thresholds, an organization is exposed to the possibility — or probability — of incurring even higher costs. In establishing a new risk policy to support its processes and encourage innovation in its work, the Global Fund is demonstrating its commitment to working in the hardest countries, where the needs are often the greatest. It remains incumbent on the organization to use the policy as a working document, with appropriate controls, monitoring and evaluation, to ensure these are risks worth taking.

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