



# **UNDP Global Fund and Health Implementation Guidance Manual**

## **- Risk Management -**

## Content

<b>1. Overview .....</b>	<b>3</b>
<b>2. Introduction to Risk Management .....</b>	<b>4</b>
2.1 Why Risk Management? .....	4
2.2 Risk Management in International Development.....	6
<b>3. Risk Management in the Global Fund.....</b>	<b>8</b>
3.1 Global Fund Risk Management Framework.....	8
3.2 Local Fund Agent.....	11
3.3 Challenging Operating Environment (COE) Policy .....	12
3.4 Additional Safeguard policy (ASP).....	14
3.5 Global Fund Risk Management Requirements for PRs .....	15
3.6 Global Fund Risk Management Requirements During Funding Request.....	16
3.7 Global Fund Review of Risk Management During Grant Implementation .....	18
<b>4. Risk Management in UNDP .....</b>	<b>19</b>
<b>5. Risk Management in UNDP-managed Global Fund projects .....</b>	<b>21</b>
5.1 Risk management architecture for UNDP-implemented Global Fund projects .....	21
5.2 UNDP risk management measures during grant formulation .....	25
5.3 UNDP risk management measures during grant implementation .....	29
<b>6. UNDP Risk Management Process .....</b>	<b>32</b>
6.1 Scope and Context .....	32
6.2 Risk assessment .....	34
6.3 Common risks identified in Global Fund projects.....	38
6.4 Risk treatment.....	40
6.5 Risk recording and reporting.....	42
6.6 Risk escalation process .....	46
6.7 Communication and consultation.....	48
6.8 Risk monitoring and review .....	49
<b>7. Risk management in crisis settings.....</b>	<b>51</b>
7.1 UNDP policies.....	51
7.2 Considerations in high-risk environments .....	52

## 1. Overview

This section of the Manual provides guidance on risk management in the context of Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) grants. Though this guidance focuses primarily on UNDP-implemented Global Fund grants, provisions may be of relevance to any Principal Recipient. The section starts with some basic concepts of risk management, which may be familiar to some readers. Please click 'next' or select the desired topic from the left-hand menu.

The Risk Management section of the Manual is not a substitute for the application of UNDP's Programme and Project Management (POPP) throughout the project cycle. This section should be read as an additional guidance to POPP, for quality and risk-informed programming.

## 2. Introduction to Risk Management

### 2.1 Why Risk Management?

A **'risk'** is defined as the effect of uncertainty on organisational objectives, which could be either positive and/or negative (ISO 31000:2018 see Appendix 1, of UNDP Enterprise Risk Management (ERM) policy for all terms and definitions).

On the other hand, an **'issue'** is an unplanned event that has already happened and is currently having an impact on the project's success. An issue is certain, it is happening in the present, and it needs immediate attention. Issues are managed through an issue register, while risks are mapped and managed through a risk register, as we will see in the following sections.

**Risk management** is a set of coordinated activities undertaken with the aim to identify and control the level of risks and their effects on organisational objectives. Risk management is a central component of project management and is integrated throughout the project cycle. Risk management focuses on exploring opportunities and avoiding negative consequences within the realisation of UNDP Strategy.

In risk management, risk treatments or **controls** are specific measures put in place to modify the risk exposure, by reducing the likelihood or the impact of a risk event. The **Risk Manager** is a designated person responsible for facilitating and coordinating the management of risks. The **Risk Owner** is the person with the ultimate accountability and authority to ensure that a risk is managed appropriately. At the project level, this is often the project manager. While a **Risk Treatment Owner** is the person assigned with the responsibility to ensure that a specific risk treatment is implemented.

Assurance is an independent check and verification to confirm whether risk management is being implemented as intended and delivering the expected benefits.

In project management, every project is subject to three constraints: scope (products), time (schedule), and cost (budget). Overall project quality and success depend on the ability to ensure a balance between these three constraints. Risk management is a process that enables the project manager to have information for prompt detection and management of risks to minimise the impact on project constraints.



#### Practice Pointer

Risks are not static. As circumstances change over time, new risks may emerge, the likelihood of a risk to occur may change, or some risks may go away altogether. Therefore, **risk management is not a one-time exercise**. It is a process, with an ongoing cycle of assessment, treatment, monitoring, and review.

In development projects, quality results are those able to meet organisational standards, donor requirements, and satisfy local stakeholders. In UNDP, [Project Quality Standards](#) provide the quality standards for programming.

## Resources

[UNDP POPP: Quality Standards for Programming](#)

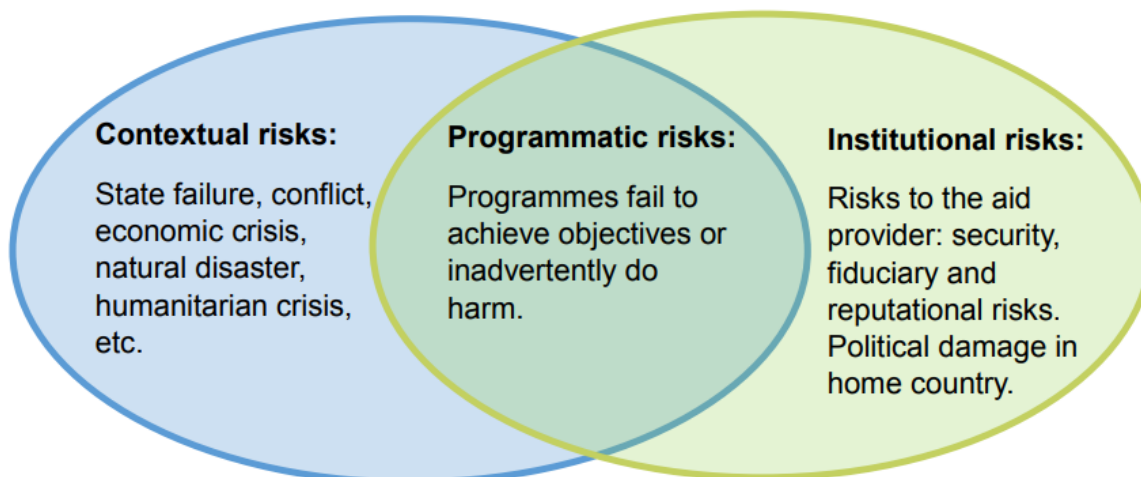
## 2.2 Risk Management in International Development

Development organisations are confronted with a wide variety of risks when implementing development projects, particularly in fragile and conflict affected states. International development projects often face implementation challenges related to:

- Lack of quantifiable market rewards and profitability incentives that characterise other industries' projects,
- Complex and often intangible nature of projects to be delivered under complex social, economic, and political factors that affect the quality of goods/services,
- External driving forces such as international politics, currency exchange or global supply chains,
- Embargoes and sanctions regimes from the UN, EU, US and other donor countries on specific countries, individuals, groups, or organizations affect the ability to engage with debarred/sanctioned entities and individuals, or access goods, services, or cash arrangements in sanctioned countries,
- Political and legal system of the country, often with poor infrastructure and banking systems,
- High security risks, potential social unrests, active conflicts, or post-disaster/post-conflict/post-war situations, and operating in some of the most remote and challenging locations in the world,
- No/limited time between financing approval and beginning of the project life cycle,
- Resource limitation and a high degree of public accountability and reporting,
- Complex stakeholder management and ambiguous role of donor and project supervisors,
- Ineffectiveness of one-size-fits-all approaches.

These require a standardised and flexible approach to project management, supported by sound and continuous risk management. From the perspective of international aid, [OECD DAC](#) created an internationally recognized method to categorise risks into three overlapping circles, referred as the 'Copenhagen Circles' (Figure 1):

- **Contextual risks:** a range of potential uncertainties that may arise from a particular context and facilitate or hinder progress towards development priorities of a given society. These may include the risk of political destabilisation, violent conflict, economic deterioration, natural disaster, humanitarian crisis, cross-border tensions, etc. Development agencies and external actors have only a limited influence on whether a contextual risk event can occur but can react to minimise the effects on the objectives.
- **Programmatic risks:** the risk that programmatic interventions do not achieve their objectives or cause inadvertent harm by, for example, exacerbating social tensions, undermining state capacity, and damaging the environment. Programmatic risks may relate for instance to weaknesses in project design and implementation, failures in coordination, and dysfunctional relationships between development agencies and their implementing partners.
- **Institutional risks:** a range of potential uncertainties that could facilitate or hinder the efficiency and effectiveness of core operations within the organisation and its staff. These may include management failures and fiduciary losses, exposure of staff to security risks, and reputational and political damages. Current risk management practices are predominantly focused on institutional risk reduction.



**Figure 1.** Copenhagen Circles; [OECD 2011, Managing risks in fragile state, page 16](#)

In international development projects, risk management is not just about risk reduction, it involves balancing risk and opportunity, or one set of risks against another. Development organisations have adopted different tools for the management and monitoring of risks. Some focus on risk management at the project level, while others at the portfolio and programme level, and these include different risk categorization. These categorizations are captured in each organisation’s Enterprise Risk Management policy, Risk Appetite, and individual policies and procedures. The following sections will focus on risk management frameworks within the Global Fund and UNDP.

## Resources

- [OECD – Managing Risks in Fragile and Transitional Contexts](#)

## 3. Risk Management in the Global Fund

### 3.1 Global Fund Risk Management Framework

The overall risk management architecture of the Global Fund is informed by the [Global Fund Risk Management Policy](#) (2014), the Risk Appetite Framework ([2018](#) and [2023 amendment](#)), the Enterprise Risk Management Framework (2023 update - see annex 1 of the [Risk Management Report](#) to the 49<sup>th</sup> Board Meeting), and the [Risk Management Operational Policy Note](#) (2024).

Following international standards, the Global Fund employs a ‘*three-lines of defence*’ model to risk management. Each line is responsible for specific core risk management activities. The Global Fund Secretariat holds first line (risk owner) and second line (oversight) of defence functions, while the Office of the Inspector General and external auditors hold third line of defence (independent assurance) functions.

Implementers (i.e. Principal Recipients (PRs), in-country partners, and Country Coordinating Mechanisms (CCMs) are ‘front line defence’ and are responsible for managing the risks to achieving grant objectives on a day-to-day basis. The risk management activities of the front line of defence are outside the scope of the Global Fund risk management policies. The PRs’ internal risk management processes are regulated by the organisations’ own risk management policies and procedures. The three lines of defence oversee front line implementation and management of risks.

From the Global Fund, implementation of the grants is overseen by the three lines of defence. More specifically:

- The Global Fund Secretariat Country Teams, with support from the Local Fund Agents (LFA), are responsible for day-to-day implementation oversight, on behalf of the Global Fund;
- The Global Fund Secretariat Risk Department and other oversight functions (Business Risk Owners) together with Global Fund Senior Management define the risk management framework and provide oversight, guidance, and support to Country Teams; and
- The Office of the Inspector General and external auditors, provide independent assurance regarding the management of risks and controls by the Country Team and Business Risk Owners and efficient use of Global Fund resources.

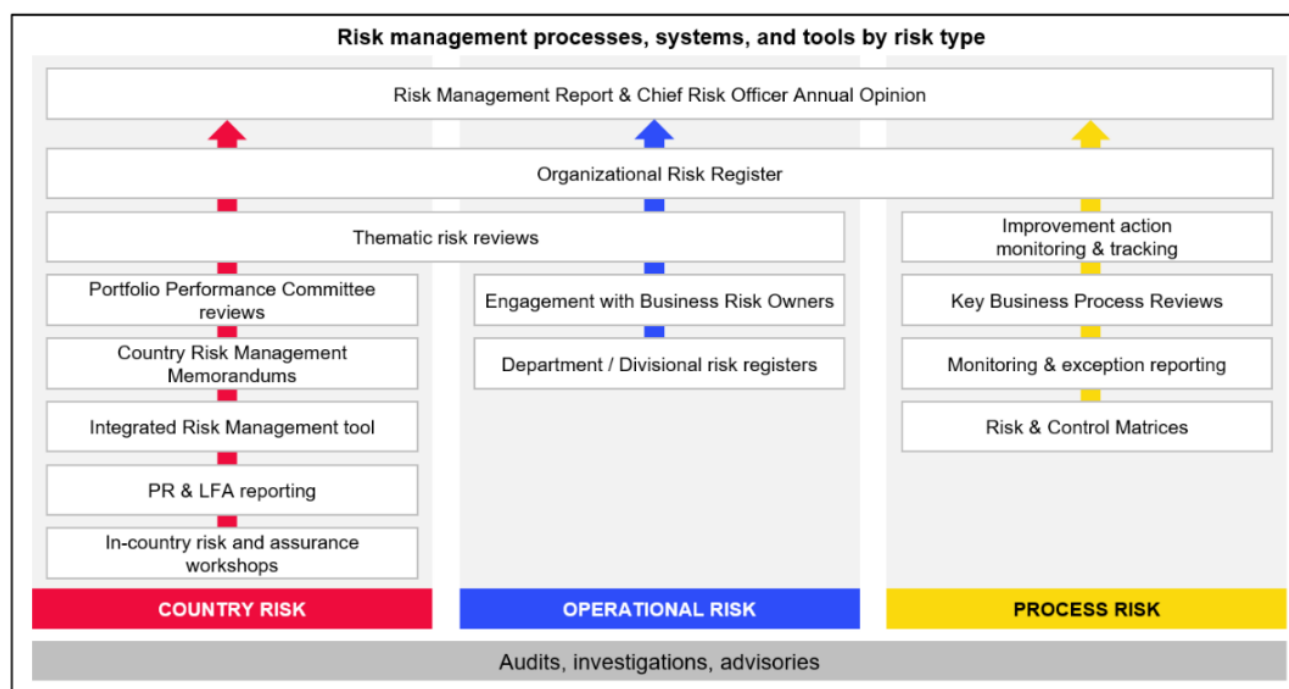
The Global Fund categorises risk sources into 3 broad thematic areas: 1. country risks, 2. operational risks and 3. process risks. The Global Fund Secretariat is concerned with the management of operational and process risks. PRs and country portfolios are concerned with the management of country risks, which include:

1. Programmatic (such as programme quality, resilient and sustainable systems for health (RSSH), human rights, and gender equality) and monitoring and evaluation,
2. Financial and fiduciary,
3. Sourcing operations (such as procurement, supply chain, and quality of health products),
4. Governance and health financing.

The Global Fund Enterprise Risk Management (ERM) Framework foresees a number of processes, systems and tools to manage the three risk types. The tools are summarised in the figure 2 below, and at the grant level grant specific risks, with corresponding controls and assurances, are identified and tracked by the Country Teams through key mechanisms:



1. Risk management is a bottom-up process, starting with inputs from the grant implementers, CCMs and Country Teams. The **in-country risk and assurance workshops** are used to identify risks to grants and to agree on mitigation actions and assurance activities.
2. The PRs' capacity assessment conducted during the Funding Request is used to determine the risks associated with the implementation capacity in critical areas - see [Global Fund Capacity Assessment guidelines](#) (2023).
3. The **IRM, Integrated Risk Management tool**, is an online platform integrated in the Global Fund's Grant Operating System (GOS). GOS is used by Country Teams to manage risks within their country portfolios. In addition to the risk assessments, the Integrated Risk Management (IRM) captures the Key Mitigating Risk (KMAs) that directly address the bottlenecks.
4. Oversight and assurance function allows to assure to what extent risk mitigations are being implemented and having the intended impact. Assurance plans guide the implementation of assurance activities by the Country Teams, who engage key assurance providers, such as LFA, to support the assurance and oversight functions of the first and the second line of defence.



**Figure 2** – Global Fund risk management processes, systems, and tools by risk type: [Global Fund Risk Management Framework, Annex 1, page 7](#)

The Risk Management Report and Chief Risk Officer's Annual Opinion (2023) submitted annually to the Global Fund Board provides an overview of the Organisational Risk Register (ORR) and a more detailed overview of the risks facing the Global Fund portfolio. A summary of the ORR and the Risk Appetite is in figure 3 below.

Risk Name	Purview	Residual Risk	Risk Appetite	Target Risk	Target risk timeframe <sup>1</sup>	Change since last quarter	Direction of travel	Global Fund ability to mitigate
01 - Program Quality - HIV	SC	High	High	Moderate	Jun 2024	No change	Steady →	Moderate
02 - Program Quality - TB	SC	Very High <sup>2</sup>	Very High	High	Dec 2023	No change	Decreasing ↓	Moderate
03 - Program Quality - Malaria	SC	High	High	Moderate	Jun 2024	No change	Increasing ↑	Moderate
04 - M&E	SC	Moderate	Moderate <sup>3</sup>	Moderate	Not Applicable	Decreased	Steady →	Moderate
05 - Procurement	SC	High	High	Moderate	Dec 2022	No change	Steady →	Significant
06 - In-Country Supply Chain	SC	High	High	Moderate	Jun 2024	No change	Steady →	Minor
07a - Grant-Related Fraud & Fiduciary	AFC	High	High	Moderate	Dec 2022	No change	Steady →	Moderate
07b - Accounting & Financial Reporting by Countries	AFC	High	High	Moderate	Dec 2022	No change	Steady →	Moderate
08 - In-Country Governance	AFC	Moderate	Moderate	Moderate	Not Applicable	No change	Increasing ↑	Moderate
09 - Quality of Health Products	SC	Moderate	Moderate	Moderate	Not Applicable	No change	Steady →	Moderate
10 - Human Rights & Gender Equality	SC	High	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Moderate
11 - Transition	SC	High	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Minor
12 - Drug & Insecticide Resistance	SC	High	Not Applicable	Not Applicable	Not Applicable	No change	Increasing ↑	Moderate
13 - Ethical Misconduct and SEAH	EGC	High	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Moderate
14 - Future Funding (Donor Funding & Domestic Health Financing)	AFC	High	Not Applicable	Not Applicable	Not Applicable	No change	Increasing ↑	Moderate
15 - Internal Operations	AFC	Moderate	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Significant
16 - Integrated Grant Policies, Processes, Systems & Data	AFC	Moderate	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Significant
17 - Risk Management & Internal Controls	AFC	Moderate	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Significant
18 - Legal	EGC	Moderate	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Moderate
19 - Governance & Oversight	EGC	Moderate	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Significant
20 - Organizational Culture	AFC	Moderate	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Significant
21 - Workforce Capacity, Efficiency & Wellbeing	AFC	High	Not Applicable	Not Applicable	Not Applicable	No change	Steady →	Significant
22 - Reputation	Board	High	Not Applicable	Not Applicable	Not Applicable	No change	Increasing ↑	Moderate

<b>Risks 01-13</b> are External: grant facing
<b>Risk 14</b> is External: other
<b>Risks 15-22</b> are Corporate: non-grant facing

Figure 3 – Summary of the GF Organisational Risk Register and the Risk Appetite (2023): [Global Fund Risk Management Framework, Annex 3, page 10](#)

## Resources

- [Global Fund Risk Management Policy](#)
- [Global Fund Risk Appetite Framework \(2018\)](#)
- [Global Fund Risk Appetite Framework \(2023 amendment\)](#)
- [Global Fund Enterprise Risk Management Framework](#)
- [Global Fund Operational Policy Manual - Risk Management](#)

## 3.2 Local Fund Agent

The **Local Fund Agent (LFA)** is an entity contracted by the Global Fund for a particular country to undertake an objective examination and provide independent professional advice and information relating to grants and Principal Recipients (PRs). Within the Global Fund’s risk management framework, the LFA provides an independent in-country verification and oversight mechanism **in addition to Principal Recipient’s assurance**. The Global Fund expects LFAs to proactively identify and alert it to any issues that may prevent activities and funding from reaching the intended beneficiaries in the quantity, time, and quality intended, and the Global Fund programmes from reaching their objectives. Based on the Global Fund Country Team’s risk assessment of the particular portfolio, the LFA’s scope of work is tailored to the specific circumstances of the grant.

Although in some cases the LFA is UNOPS, this is usually a private consulting firm, competitively selected (see [list of LFAs](#) ). As a third-party and following the ‘single audit’ principle governing UNDP, the LFA does not have access to UNDP Enterprise Resource Planning (ERP) (Quantum), contracts, selection processes, and other critical information. Therefore, **the LFA does not replace standard UNDP internal control systems and is not mandated to assess compliance with UNDP policies**. As stated in the [UNDP-GF Framework Agreement \(2023\)](#), UNDP as PR will implement or oversee the implementation of the Program in accordance with UNDP regulations, rules, policies and procedures, thus standard risk management mechanisms apply, in addition to GF specific oversight requirements.



### Practice Pointer

While LFAs are expected to flag any occurring risks to the Global Fund, the focus of their work is to independently verify and confirm information reported by the PR. In cases where UNDP is the PR, the LFA role in verification is limited as the Global Fund relies on UNDP’s regulations, rules, policies, and procedures. Please refer to the [legal framework section](#) of the Manual for guidance on Global Fund, as well as the [Risk management architecture in UNDP-managed GF projects](#) section.

## Resources

- [List of Global Fund LFAs](#)
- [UNDP-Global Fund Framework Agreement - Courtesy consolidation 2023](#)

### 3.3 Challenging Operating Environment (COE) Policy

The Global Fund has a country-classification mechanism to ensure that operational policies and processes reflect contextual needs for countries. These categories are updated every allocation period based on the allocation amount, the disease burden, and strategic impact of the country. Countries are classified as:

- **Focused Portfolios** are generally smaller portfolios, with a lower disease burden, and a lower mission risk.
- **Core Portfolios** are generally larger portfolios, with a higher disease burden, and a higher mission risk.
- **High Impact Portfolios** are generally very large portfolios with mission critical disease burdens.

See the introduction of the GF's [Operational Policy Manual](#) (2024) for the portfolio categorization.

The Global Fund also use two cross-cutting classifications to further differentiate portfolios:

- **Challenging Operating Environments (COEs)** are countries or regions with complex natural or manmade crises and instability with an impact on the risk of death, disease, and breakdown of livelihoods.
- **Transitioning** components are those that are approaching transition from receiving funding from the Global Fund.

To be able to operate in contexts of various degrees of complexity, in addition to the [Risk Management Policy](#), the Global Fund has developed some specific risk management tools.

The Global Fund recognizes the need to apply a tailored approach for COEs focusing on providing a set of flexibilities when implementing Global Fund grants and this is articulated in the [COE Policy \(2017\)](#).

Challenging Operating Environments are countries or regions characterised by weak governance, poor access to health services, and man-made or natural crises. The policy classifies COEs based on countries with the highest External Risk Index (ERI) level in the Global Fund portfolio and allows for *ad hoc* classification to enable rapid responses to emergency situations. Once a country (or part of it) is categorised as a COE, the Global Fund can tailor the flexibilities that would apply. The flexibilities may relate to the following:

- **Access to funding:** The Global Fund can allow the extension of existing grants, non-Country Coordinating Mechanism (CCM) applications, and extended allocation where a COE country is no longer eligible for funding.
- **Implementing entities:** While the CCM nomination of the Principal Recipient (PR) is preferred, in COE countries the Global Fund may assume the responsibility for selecting the PR.
- **Grant implementation:** Where relevant and possible, goals, targets, activities, and budgets can be adjusted, and implementation arrangements changed to reach target populations.
- **Procurement and supply chain:** Where existing in-country supply chain systems are dysfunctional, disrupted or at risk of disruption, third-party providers may be selected for part or all the supply chain management functions. In emergency situations, PRs with strong procurement and supply chain capacity may be selected.
- **Monitoring and evaluation:** The Global Fund recognizes the risks associated with data collection and data quality in COEs due to weak health data systems. It addresses these risks by insisting on strengthening of Health Management Information Systems (HMIS) and using different types of data (surveys, evaluations, quantitative and qualitative sources)
- **Financial management:** The flexibilities on key financial processes include, among others: ease of reprogramming process with a high-level budget based on past grant assumptions, reliance on

implementers' own assurance mechanism where deemed strong, outsourcing of accounting and/or fiduciary function, and extension of audit and reporting due dates.

The [Challenging Operating Environment Operational Policy Note](#) regulates the implementation of the COE policy. The level of verification and scope of the Local Fund Agent's assurance services may be tailored in line with the nature of the crisis and associated risks. This tailoring is conducted by the Global Fund's Country Teams.

UNDP is often nominated as PR in COE countries. As UNDP-implemented Global Fund projects adhere to UNDP's regulations, rules, policies, and procedures. Most flexibilities would be negotiated during grant-making and the Country Office is advised to request support of the UNDP Global Fund Partnership and Health Systems Team and the Regional Bureau, as early as possible, during the funding submission and the grant making process.

## Resources

- [Global Fund Operational Policy Manual - Challenging Operating Environments \(COEs\) 2024](#)
- [Global Fund Risk Management Policy](#)

### 3.4 Additional Safeguard policy (ASP)

The [Additional Safeguards Policy](#) (ASP) (2004) is a set of measures that the Global Fund introduces whenever “the existing systems to ensure accountable use of Global Fund financing suggest that Global Fund monies could be placed in jeopardy without the use of additional measures”. Examples of criteria for invoking ASP include significant concerns about governance; the lack of a transparent process for identifying a broad range of implementing partners; major concerns about corruption; a widespread lack of public accountability; recent or ongoing conflict in the country or region of operation; political instability or lack of a functioning government; poorly developed or lack of civil society participation; financial risks such as hyperinflation or devaluation; or lack of a proven track record in managing donor funds. The decision to invoke the ASP Policy, available in the Global Fund’s [Operational Policy Manual](#) (2024), is often triggered by capacity concerns on the Principal Recipient (PR) or the Sub-recipients (SRs), lack of transparency in the selection of grant implementers, political instability, conflicts, lack of participation, etc.

ASP measures include:

- Selection of the PRs by the Global Fund
- Selection of the SRs by the Global Fund
- Specific risk mitigation measures, such as:
  - o Installation of fiscal/fiduciary agents
  - o Restricted cash policy, or no-cash to SRs
  - o Use of GF Pooled Procurement Mechanism

UNDP is often nominated as PR in ASP countries. As UNDP-implemented Global Fund projects adhere to UNDP’s regulations, rules, policies, and procedures. Most flexibilities would be negotiated during grant-making and the Country Office is advised to request support of the UNDP Global Fund Partnership and Health Systems Team and the Regional Bureau, as early as possible, during the funding submission and the grant making process.

### Resources

- [Global Fund Additional Safeguards Policy 2004](#)
- [Global Fund Operational Policy Manual - Additional Safeguards Policy \(ASP\)](#)

### 3.5 Global Fund Risk Management Requirements for PRs

Once UNDP is confirmed as interim Principal Recipient (PR), the capacity of the local UNDP office is assessed during the grant negotiation phase, through a UNDP tailored [Global Fund Capacity Assessment Tool](#) (2023) (CAT examples are available [here](#)). Therefore, the grant is ultimately approved on the basis of a positive assessment of local UNDP Office capacities to implement the grant and effectively manage risks.

The [UNDP-GF Framework Agreement \(2023\)](#) Article 2, Annex A, states that:

*“The Principal Recipient will implement or oversee the implementation of the Program in accordance with UNDP regulations, rules, policies and procedures and decisions of the UNDP Governing Bodies, as well as the terms and conditions of the relevant Grant Agreement. The Principal Recipient will be responsible and accountable to the Global Fund for all resources it receives under the relevant Grant Agreement and for the results that are to be accomplished.”*

It is therefore expected that standard UNDP’s internal controls systems, policies, and regulations, as set out in UNDP’s Programme and Project Management (POPP), are used to provide the appropriate level of assurance throughout the design and the implementation of the Global Fund grant.

The [UNDP-GF Framework Agreement \(2023\)](#), includes new provisions for the prevention and management of Sexual Exploitation, abuse and harassment (SEAH). These further define UNDP’s standard SEAH provisions and clarify the standards that apply to SEAH prevention and management when implementing Global Fund resources. Details are provided in the [UNDP risk management measures during grant formulation](#) and [UNDP risk management measures during grant implementation](#) sections of this Manual.

To support Country Offices, UNDP has developed a number of stand-alone risk management tools for a risk-informed implementation of Global-Fund-funded projects. These are listed in the [Risk management architecture for UNDP-implemented Global Fund projects](#) section of this Manual and are in addition to standard UNDP risk management procedures, as listed in [POPP](#) and mapped [here](#).

When selected as PR, UNDP is entrusted with Global Fund resources, and it is therefore fully accountable in ensuring that (i) the funds are efficiently and effectively directed to achieving programmatic results and reaching people in need and (ii) programmatic and financial data are accurate, timely and complete. **UNDP accountability also extends to the management of risks related to the activities implemented by the Sub-Recipients (and their Sub-Sub-Recipients) contracted by UNDP.**

Therefore, where Sub-Recipients are involved, the Principal Recipient has the responsibility to manage the Sub-Recipients. In managing the SRs, UNDP is also responsible for managing the Sub-Sub-Recipients (SSRs) and risks that can emerge from the engagement between SRs and SSRs. For more details on SR selection, capacity assessment requirements and process, refer to the [Sub-Recipient Management section](#) of this Manual.

## Resources

- [Global Fund Capacity Assessment Tool 2023](#)
- [UNDP-Global Fund Framework Agreement - Courtesy consolidation 2023](#)

### 3.6 Global Fund Risk Management Requirements During Funding Request

The [Funding Request](#) is submitted by the Country Coordinating Mechanism (CCM) for technical review by the Technical Review Panel. Often the Principal Recipients (PRs) are not confirmed at this stage of the request. However, in case the CCM has already confirmed that UNDP will be/continue to be the PR, the Country Office is invited to contribute to the submission and risk identification process. Although most of the risk assessments are conducted during grant-making, the funding request is expected to include a number of risk management considerations. These include:

- Eligibility requirements for CCMs (required by the CCM).
- Country dialogue requirements by the CCM for an inclusive and transparent funding application development process (required by the CCM).
- Co-financing, sustainability and transition planning requirements with considerations on how to strengthen them - see Global Fund [Guidance Note on Sustainability, Transition and Co-financing](#) (2022) (required).
- Protection from sexual exploitation, abuse, and harassment (SEAH) is a priority for the Global Fund and all funding submissions are encouraged to include the [Global Fund Risk Assessment Tool for Sexual Exploitation, Abuse and Harassment \(SEAH\)](#) and corresponding mitigation measures (recommended).
- **Analysis of human-right and gender-related barriers** in access to services and promote gender equality and health equity. An analysis of the social and structural drivers behind barriers related to human rights, gender equality and health equity (recommended).
- A **preliminary assessment** (required) of up to 3 key risks and mitigation measures along 3 key risk areas:
  1. Procurement and management of health products, including those associated with clinical laboratories.
  2. Flow of data from service delivery points.
  3. Financial or fiduciary matters.
- A draft [mapping of the implementation arrangements](#) for the proposed grant (recommended).
- Plans and capacities to prepare and respond to pandemics (required).
- A **reflection from previous lessons, risks and capacity issues** identified in previous implementation periods and integration of these in the new request (required).

In parallel, the Global Fund's Country Teams conduct their risk assessments of the funding request. These can include:

- Country dialogue - the Country Teams for High Impact and Core portfolios share with the PR / applicant the Global Fund Secretariat's view of key risks relevant to the portfolio, and the applicant is required to describe in the funding requests how these will be addressed. These risks are reflected in the Integrated Risk Management (IRM).
- Review of the funding requests - further analysis by the Secretariat of the proposed actions by the PR to address the risks, the Country Teams highlight gaps not addressed in the funding requests that will need to be addressed during grant-making. These risks/gaps are reflected in the IRM.
- Capacity assessment of the PR - the Country Teams engage the Local Fund Agent (LFA) to tailor and conduct the capacity assessment of the PR, to inform the grant-making process.



During the grant making phase, a number of risk management measures can be further finalised by the PR – once confirmed - for submission to the Global Fund, after review by the Country Team and the LFA. These include:

- Finalisation of the **Implementation Arrangement Mapping** includes a visual representation of:
  - all entities receiving grant funds and/or playing a role in program implementation,
  - each entity’s role in program implementation,
  - the flow of funds, commodities, and data,
  - the beneficiaries of program activities,
  - the relations with the national health sector structures at central and decentralised levels, including the Ministry of Health, National Program, and regional and district level entities engaged in the three diseases, and
  - any unknowns (only during the funding requested stage).
- Identification of residual risks, capacity gaps, and mitigation actions - High Impact and Core portfolios review and integrate residual risks in the risk tracker in the IRM, with assigned Key Management Actions (KMAs). The Country Teams review this data and start planning assurance activities.

The above is used by the Grant Approval Committee to review the grant, and acceptance of the residual risks and mitigation strategy to be actioned during grant implementation. See Global Fund [OPN Make, Approve, and Sign Grants](#) (2024) and the [Grant Agreement section](#) of this Manual.

Please, note that the Implementation Arrangement Mapping does not replace the use of UNDP standard project governance arrangements, as per [POPP PPM – Provide Oversight](#). Please, refer to the [Risk management architecture for UNDP-implemented Global Fund projects](#) section of this Manual for more details.

## Resources

- [Global Fund Funding Request Forms and Materials](#)
- [Global Fund Guidance Note on Sustainability, Transition and Co-financing](#)
- [Global Fund Risk Assessment Tool for Sexual Exploitation, Abuse and Harassment \(SEAH\)](#)
- [Global Fund gender and human rights guidance and reports](#)
- [Global Fund Implementation Arrangements Mapping Instructions](#)

### 3.7 Global Fund Review of Risk Management During Grant Implementation

The implementation of the grant is reviewed by the Global Fund, through their three line of defence model. This is done by monitoring Principal Recipient's (PRs) risks and performance through:

- PR risk reporting -
  - conducted through the Progress Update and/or Disbursement Request (PU/DR) - see the [Grant reporting section](#) of this Manual for details and the [PU/DR instructions](#) (2023). In addition to an update on the risks affecting the portfolio and the status of the Key Management Actions (KMAs), the PU/DRs also include a review of risk of stock-out and expiry. The Global Fund must be notified of imminent expiry and stock-out risks. See [Health Product Management](#) section of this Manual.
  - Pulse Checks are submitted twice per implementation year for High Impact and Core portfolios. The Pulse Check is submitted in Q1 and Q3, between mid-year Progress Updates (PU) and year end Progress Updates and Disbursement Requests (PUDR). See [Global Fund Pulse Check guide](#) (2024).
- Audits - see [audit and investigation](#) section of this Manual.
- Local Fund Agent (LFA) verification - PRs work with the LFA and provide information related to the management of the grants to comply with the grant assurance activities. See the [LFA section](#) of this Manual.
- Engagement with Country Teams - participate in regular virtual or in-person communications with the Country Teams to discuss progress, risks, and issues.

The Global Fund assesses and communicates grant performance and risk management decisions through grant performance letter, PR performance qualitative assessment and performance letter. The latter is a communication from the Global Fund highlighting grant and PR performance with specific areas for action. It includes, at a minimum, the list of prioritised risks, mitigating actions and timelines relevant to the PR. The Global Fund can also leverage in-country programme review and evaluation to validate country portfolio risks and identify issues where additional support, flexibilities and/or innovation are needed.

### Resources

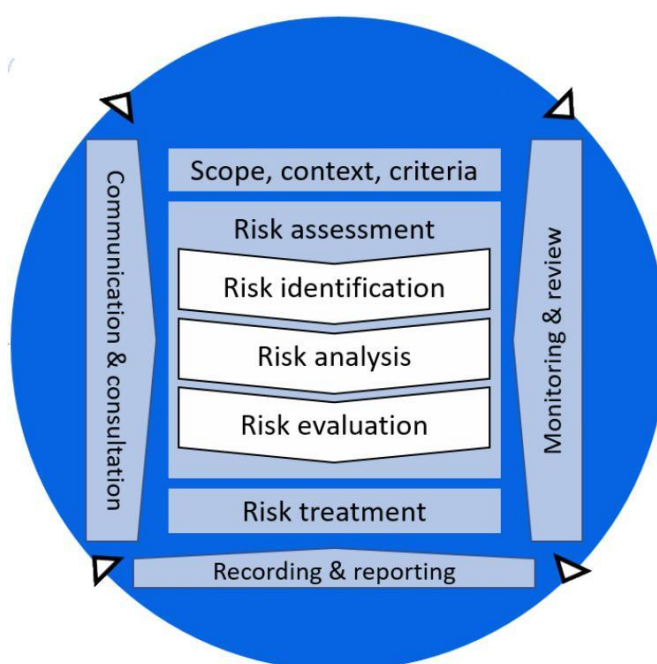
- [Global Fund PU/DR instructions](#)
- [Global Fund Pulse Check guide](#)

## 4. Risk Management in UNDP

Navigating through the complexity of multiple uncertainties is at the core of UNDP’s quest for innovative solutions to development and organisational challenges. UNDP’s [Enterprise Risk Management policy](#) (ERM) provides an overarching framework to ensure foresight and risk-informed decisions across all levels of the organisations, including all projects, to maximise gains and avoid unnecessary losses.

UNDP’s approach to risk management is based on the 2018 edition of the international standards for risk management, ISO 31000:2018 “Risk management – Principles and guidelines”. UNDP defines risk as the **effect of uncertainty on organizational objectives, which could be either positive and/or negative**.

In line with the ISO 31000:2018, the UNDP’s ERM methodology consists of 6 key elements, as per Figure 4 below. Each step is further detailed in the following sections of this guidance.



**Figure 4.** UNDP’s ERM methodology: [UNDP ERM Policy, page 3](#)

Under the UNDP’s ERM umbrella, risk management is integrated through prescriptive UNDP’s policies and procedures which are designed to manage selected categories of risks. A visual guide of the UNDP ERM policy is available [here](#) and **mapping of some key UNDP risk management** tools and policies to guide risk assessment, treatment and monitoring along the UNDP’s risk categories is available [here](#).

The [UNDP’s Risk Appetite Statement](#) (RAS) and the [UNDP’s Risk Appetite Statement Guidance](#) set UNDP’s internal preference regarding the level of risk to take in a given situation. The purpose of the RAS is to ensure consistent and effective understanding of the amount and type of risk UNDP is willing to accept to deliver on its strategic objectives. UNDP’s risk appetite across risk categories is summarised in Figure 5 below and these are expected to be consulted during the risk identification process and to guide the design of risk treatment actions.

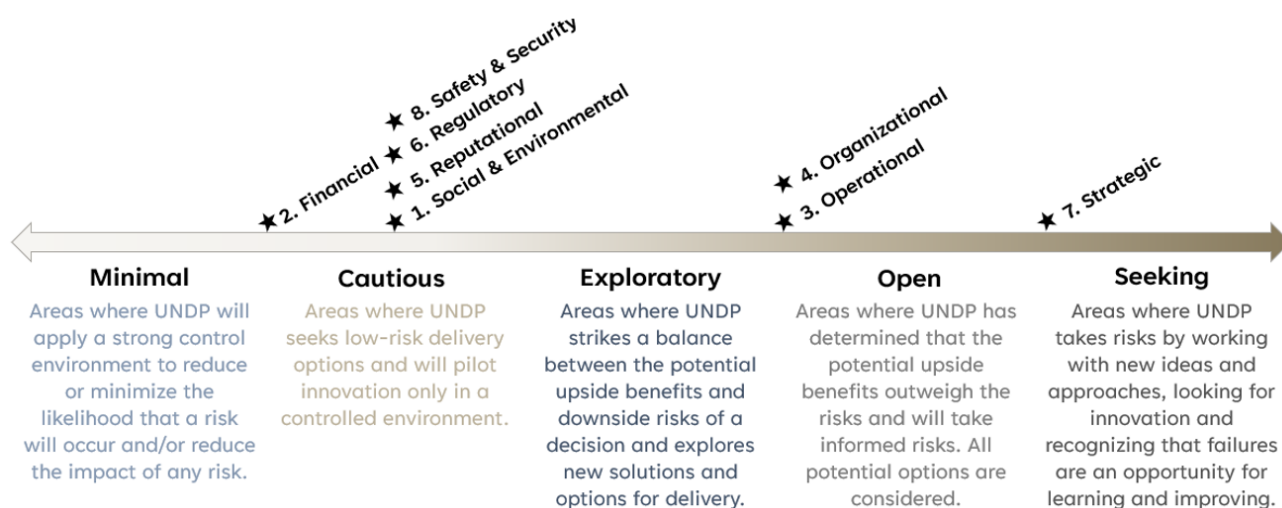


Figure 5. UNDP's Risk Appetite across UNDP's risk categories: [simplified from UNDP Risk Appetite Statement](#)

## Resources

- [UNDP POPP: Enterprise Risk Management policy](#)
- [UNDP POPP Enterprise Risk Management \(ERM\) Processes](#)
- [UNDP POPP: Risk Appetite Statement](#)

## 5. Risk Management in UNDP-managed Global Fund projects

### 5.1 Risk management architecture for UNDP-implemented Global Fund projects

The Global Fund supports countries in pursuing ambitious targets, resulting in a direct impact on HIV, TB, and malaria epidemics, which often include the provision of lifesaving services. Global Fund-funded projects follow very stringent donor requirements, as highlighted in this Manual. In addition, high volume, health implementation projects are high-risk for a number of very specific factors:

- **Health products.** Global Fund-funded projects are highly commoditized, where UNDP, as Principal Recipient, leads in the selection, quantification, procurement, storage, distribution, and quality assurance of health products. Delays in supply chains, disruption in diagnostics and treatment services, or poor quality of health products can have life threatening consequences. In addition, given the high value and marketability of these health products, risks of fraud, waste, or theft are significant.
- **Complex operating environments.** UNDP is nominated as Principal Recipient in countries with complex operating environments, these are often countries facing conflict, emergencies, sanctions, weak governance, or significant capacity constraints.
- **Use of national systems.** Due to its mandate and in line with donor's requirements, UNDP implements these projects through existing national systems, to strengthen institutional capacities, infrastructure, health systems and processes.

To manage the risks emerging from the above systemic challenges, UNDP has established a comprehensive risk management framework to mitigate and manage the high risks associated with the implementation of the Global Fund portfolio. This framework includes:

- The Global Fund portfolio is integrated with **UNDP's umbrella [Enterprise Risk Management Framework](#)** and fully aligns its implementation to UNDP's policies, rules and regulations.
- Where nominated as Principal Recipient, UNDP utilises the **Direct Implementation Modality** for Global Fund grants, whereby dedicated Project Management Units (PMUs) are established within each UNDP Country Office (CO) to directly oversee and manage grant implementation.
- There is **global oversight and monitoring of UNDP's Global Fund portfolio** by the Global Fund Partnership and Health Systems Team (GFPHST), in UNDP BPPS in coordination with Regional and Central Bureaus.
- UNDP COs are provided with **end-to-end technical support**, and **comprehensive guidelines, tools and other resources** by the GFPHST to effectively implement Global Fund grants.
- UNDP has **centralised health procurement architecture** [see [Health Product Management section](#) of this Manual] to provide specialised support services for the procurement, supply management and quality assurance of health products. All Global-Fund financed health products are procured centrally to mitigate the risk of health product procurement fraud, collusion, and other prohibited practices, as well as ensure the quality and minimise the safety risks.
- The Office of Audit and Investigations (OAI) has a **special audit regime for the Global Fund portfolio** [see [Audit and Investigations section](#) of this Manual], with dedicated auditors and investigators.
- UNDP has established a **special Sub-Recipient (SR) audit regime** [see [Sub-recipient Audit Approach section](#) of the Manual] for the Global Fund portfolio, with long-term agreements established with third party audit firms to comprehensively audit SRs.

- UNDP has developed a **Control Self-Assessment (CSA) methodology** to enable UNDP COs to systematically assess the adequacy of controls they have in place for effective grant implementation and risk management. GF Projects can reach out to their focal point in the BPPS GFPHST if they wish to engage in a CSA exercise.
- Project level **quarterly review meetings** between the RRs and the GFPHST, and Regional and Central Bureau level semi-annual meetings between the Regional Bureau and the GFPHST.

This Manual is a key repository of the information and guidance on how to integrate the enhanced risk management framework within the implementation of Global Fund-funded projects where UNDP is a PR. The Risk Management section of this Manual is not a substitute for the application of POPP throughout the project cycle. This section should be read as an additional guidance to POPP, for quality and risk-informed programming.

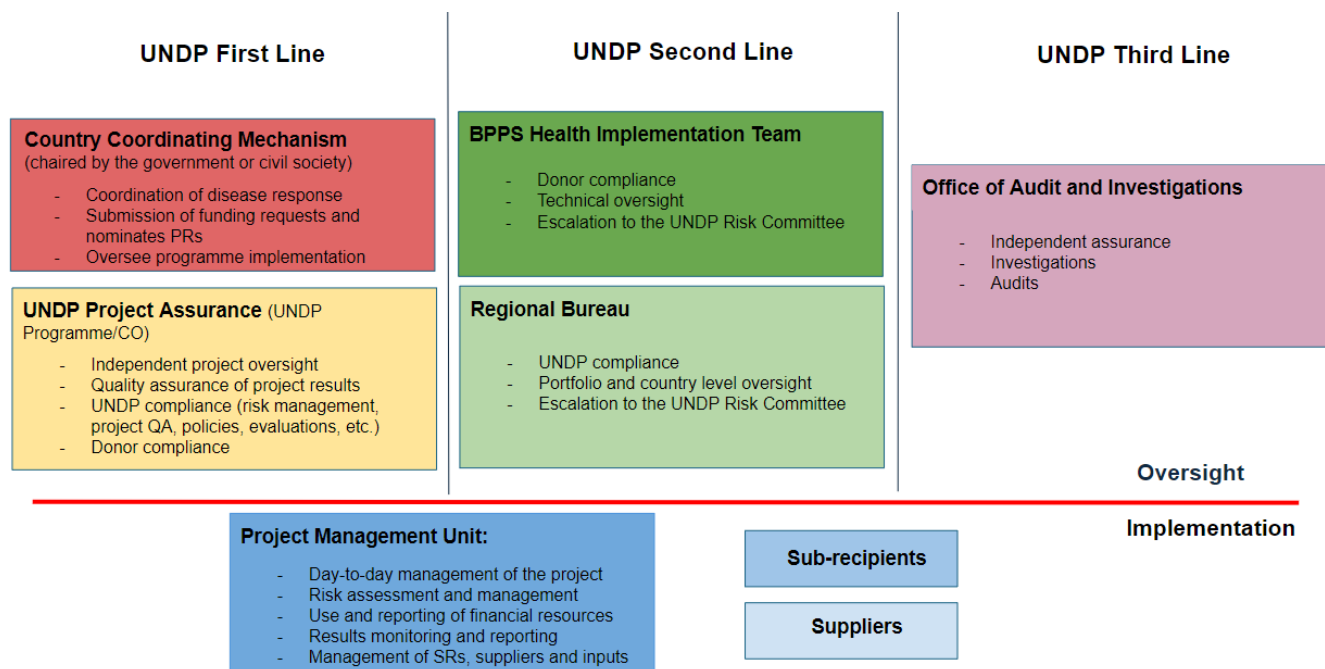
In line with the UN Risk Management, Oversight and Accountability Model, the Three Lines model supports UNDP governance and oversight, clarifying roles and responsibilities. For UNDP Country Offices, the standard application of the model is as per *Figure 6* below. Projects, including UNDP-implemented Global Fund projects provide implementation functions and as front line defence, they are outside the three lines model.

Executive Board and Governing Body			
UNDP Management			Internal assurance
	First Line	Second Line	Third Line
What	Functions that own and manage risks	Functions that oversee and/or specialize in risk management, compliance	Functions that provide independent assurance and audit
Who	<ul style="list-style-type: none"> <li>CO's Management Team / UNDP RR</li> <li>Project Assurance function / Programme Team</li> <li>All UNDP personnel</li> </ul>	<ul style="list-style-type: none"> <li>Regional Bureau Directors</li> <li>Central Bureau Directors</li> <li>Relevant Technical Experts</li> <li>Treasurer</li> <li>Ethics Office</li> <li>Risk Committee</li> </ul>	<ul style="list-style-type: none"> <li>Audits and Investigations(OAI)</li> <li>Evaluations (IEO)</li> </ul>
How	<ul style="list-style-type: none"> <li>Risk assessment and management tools</li> <li>Risk registers</li> <li>Project Boards / CCM</li> <li>Risk escalation</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and oversight</li> <li>Guidance</li> <li>Decision on escalated risks</li> </ul>	<ul style="list-style-type: none"> <li>Audits</li> <li>Evaluations</li> <li>Investigations</li> </ul>

**Figure 6.** adaptation of the three lines of defence model in UNDP: [adapted from UNDP Internal Control Framework](#)

For Global Fund-funded projects, given the enhanced oversight and risk management framework, roles, and responsibilities within UNDP for governance and oversight are summarised in the *Figure 7* below. These are aligned to the roles in project implementation and oversight in [UNDP Programme and Project Management \(PPM\) - Provide Oversight](#), to ensure segregation between Global Fund project implementation (under the leadership of the Global Fund Project Manager and the PMU), project oversight by the first line (UNDP Country

Office, through the Programme Team, and the Project Board) and the second line (Regional Bureaus and Central Bureaus)



**Figure 7.** Governance arrangements for UNDP's Global Fund-funded projects: [adapted from UNDP Provide Oversight](#)

Global Fund also engages a **Local Fund Agent (LFA)** with the overall responsibility to review the capacities of the Principal Recipient (PR) to implement the project, ensure donor compliance in project implementation, and review project risks and escalate to the Global Fund. The LFA is a third-party provider contracted by the donor to provide independent review of Global Fund's implementers performance against grant agreement and donor requirements. This function is **in addition to the PR / UNDP assurance roles and standard risk management measures**, as per UNDP's rules and regulations.



### Practice Pointer

For detailed responsibilities during project implementation, particularly for project management units, programme team, UNDP office management and Project Board, refer to [UNDP PPM Implement – Deliver Results](#) and the [UNDP Internal Control Framework](#).

Detailed responsibilities and Terms of Reference of the LFA, can be found in the [LFA section](#) of the Global Fund website and in the [Local Fund Agent section](#) of this Manual.

For details, refer to the [Global Fund CCM policy](#) and [UNDP PPM - Provide Oversight](#) policy and procedures.

## Resources

- [UNDP POPP: Enterprise Risk Management policy](#)
- [UNDP POPP: Provide Oversight](#)
- [UNDP POPP: Delivery Results](#)
- [Global Fund Local Fund Agent](#)
- [Global Fund CCM policy](#)



## 5.2 UNDP risk management measures during grant formulation

A number of standard and key controls should be established in the key phases of project formulation and implementation to ensure a mitigation of some of the most common risks faced by UNDP-implemented Global Fund projects, as listed in the [Risk Catalogue for Global Fund projects](#). Some key risk management considerations to embed in the formulation of the grant are listed below.

**Risk Assessment during key start-up activities:** [when](#) notified that UNDP is being considered as Principal Recipient (PR), the UNDP Country Office with support from the Regional Bureau and the BPPS GFPHST, should conduct an assessment of the risks in taking the PR role to inform the decision to accept the role and the formulation of the [transition and grant making work plan](#). See [Principal Recipient Start-up](#) section of this Manual.

**Project quality assurance and appraisal** - UNDP POPP ([Programme and Project Management \(PPM\) Appraise and Approve](#)) requires the appraisal of the quality of every project before finalisation. This is done via a Project Quality Assurance assessment of the project by the Project Assurance function in the Country Office (CO) and a Local Project Appraisal meeting. In this regard, during the formulation of Global Fund-funded projects, ensure:

- The CO programme team (as Project Assurance) is involved in the quality review of the project during the grant formulation phase. If UNDP is not assigned as PR [during](#) the funding request, consider involving the CO programme team as soon as possible during the negotiation of the project.
- UNDP's [Quality Standards for Programming](#) are reflected in the formulation of the funding request, the negotiation of the grant (if UNDP is not assigned as PR during the funding request stage) and the UNDP project document.
- It is recommended to ensure a UNDP's preliminary feedback to the draft funding request is collected and integrated in the funding request / project as soon as possible. This feedback includes programming quality, security, health procurement and supply management, oversight, financial management, human resources, and monitoring and evaluation considerations from the UNDP CO, BPPS Global Fund Partnership and Health Systems Team (GFPHST). If the project has been classified as a 'high-risk project' by the Regional Bureau/BPPS, also include Regional Bureau's feedback.

**Construction** - The UNDP [Construction Works policy](#) and the [PPM Appraise and Approve](#) policy foresee the delegation for construction works by the Regional Bureau to the Resident Representative (RR) before project approval. Ensure this is obtained before the finalisation of the project. The Delegation of Authority for construction requires the submission of key preliminary assessments to demonstrate CO's procurement capacities, Social and Environmental considerations in the design of the construction work and management of the contractor, feasibility of the construction project, contractor oversight, etc. The assessments and the approval could take time, so consider developing the background documents as soon as possible, during grant formulation.

**Project governance:** When designing the Global Fund project governance structure, ensure this is aligned to the [UNDP PPM - provide oversight](#) policy. Specifically:

- Although project assurance functions are outsourced to the Local Fund Agent from the donor's perspective, ensure CO representatives attend Project Board / Country Coordinating Mechanism (CCM) meetings and assure UNDP compliance over project implementation and the achievement of results.
- Ensure the project governance arrangements in the project document reflect the independent Project Assurance function provided by the CO's programme team, as first line of defence. These are UNDP's

internal oversight arrangements and in addition to the [implementation arrangement mapping](#) requested by the donor. See [UNDP Standard Terms of Reference \(ToR\) for a Development Project Board or Project Steering Committee](#) and [PPM oversight](#) policy.

**Internal Control Framework (ICF)** - When designing the Project Management Unit (PMU), ensure adequate implementation of the [UNDP Internal Control Framework \(ICF\) Policy](#). Specifically:

- Segregation between project oversight and implementation. Global Fund Project/Programme Managers (first authority) cannot have an Approving *Manager (second authority) or Disbursing Officer (third authority) profile* in the CO ICF/Quantum Identity and Access Management (IDAM) profile for the project they manage. The second authority, usually CO Programme Officers, CO Management / Programme Support Unit or Deputy Resident Representative (DRR), acts as an independent check on the Global Fund Project/Programme managers and verifies that applicable policies and procedures have been followed. They must have oversight functions over project implementation and its transactions.
- If a direct reporting line is established between the Global Fund Project/Programme Manager and the RR/DRR, ensure Standard Operating Procedures (SOPs) are in place for key business processes (FACE forms review, results reporting review, AWP review/approval, budget revisions, etc.) to ensure regular CO's oversight on UNDP compliance and the quality assurance of project M&E, reporting, implementation, financial transactions, procurement, etc.

**Prevention of Sexual Exploitation, Abuse and Harassment:** All UNDP projects operating in a humanitarian context have to adhere to the [Inter Agency Standard Committee \(IASC\) Minimum Operating Standards \(2012\)](#) and the [IASC Core Humanitarian Standard on Quality and Accountability \(2014\)](#). The IASC has also identified a number of priority countries for Prevention of Sexual Exploitation, Abuse and Harassment (PSEAH) and the list is available [here](#). When employing Project Management Unit members, verify whether such individuals have a record of SEA or SH by vetting them against Clear Check. In managing SEAH risks at the Sub-recipient's (SR) level, consider the following measures:

- Before engagement with the partner, ensure a screening of the SR's PSEAH capacities and policies. The [SR's Capacity Assessment Tool](#) includes an assessment of SR's PSEAH policies to identify and take action on SEAH.
- Building on the findings of the SR capacity assessment, develop appropriate risk mitigation measures, including capacity building and monitoring, for partners with limited PSEAH capacities. Refer to the [UN SEA Implementing Partners protocol](#) and the [UNDP SEA Risk Management Tool](#) for more details and examples of appropriate risk measures.
- When entering cooperation with the partner, ensure SRs and Sub-sub-recipients (SSRs) are fully aware of the UNDP zero tolerance policy and the standard SEA text in the legal/grant agreement.
- As part of the SEAH capacity building plan, include the completion of the prevention of SEAH online training from SRs, SSRs and their staff ([UNICEF training](#)), face-to-face SEAH training, dissemination of awareness raising tools, support in establishing policy and implementation of reporting procedures, etc.
- Stakeholder engagement mechanisms and grievance redress mechanisms are established and made available for all projects with SES and SEAH risks to allow communities to raise feedback and complaints. Ensure wide communication of the Grievance Redress Mechanism and complaint mechanisms.
- Promptly report all SEA allegations through the [Secretary General's general reporting on SEA](#), i.e. [Ethics office](#) and [UNDP Office of Audit and Investigations \(OAI\) hotline](#), and the BPPS Global Fund Partnership and Health Systems Team's Focal Point for advice on how to engage OAI and the donor.

### **Anti-Money Laundering and Countering of the Financing of Terrorism (AML/CFT):**

- Ensure that Counterparties (recipients of funding in a programming context, such as SRs, SSRs, and private entities) submit the Anti-Money Laundering and Countering of the Financing of Terrorism (AML/CFT) self-certification form and are screened against the [United Nations Global Marketplace Ineligible Vendor Lists](#) and the control measures that are part of POPP (e.g. : [Procurement Methods](#), [Managing Partnerships](#), [Private Sector Partnerships](#), [Select Implementing Partner](#), [Harmonized Approach to Cash Transfer \(HACT\)](#), and [Vendor Sanctions](#)).
- Liaise closely with the CO's AML/CFT focal point to ensure the screening of counterparties before final selection. See [AML/CFT operational guidance note](#) for details.
- Risks related to Money Laundering and/or Terrorism Financing must be identified and considered in the formulation, design, and implementation of programming activities. In case of concerns about the level of risk, an expert in-depth analysis may be necessary to identify effective mitigation measures.

**Sub-recipients (SRs) selection:** When selecting the SRs for the implementation of the grant, ensure transparency and adequate risk management. Closely follow the steps in the [Sub-Recipient Management](#) section of this Manual, and specifically:

- No SR Agreement can be signed before the results of the SR Capacity Assessment (CA), through the [SR Capacity Assessment – SR CA](#) (conducted by a qualified third-party provider (audit firm), not in-house or a self-assessment by the SR) are in place and show adequate capacities and no exclusionary criteria. If the results of the SR CA are negative (i.e. the capacities of the SR cannot be meaningfully developed early on in the project lifetime for the effective implementation of a 3-year grant), partner selection cannot proceed. Negotiate the SR Agreement with the SR to embed specific risk measures and address the capacity gaps identified during the capacity assessment. Design work plan, budget, cash transfer modalities, disbursement schedule, and results framework in line with the findings of the capacity assessment. **No direct cash advances or reimbursement can be given to high risk partners, without UNDP Office of Financial Management (OFM) approval routed through the Regional Bureau (see [POPP HACT policy](#) and [outcome of SR's capacity assessment section of this Manual](#)).** Direct payments and reimbursements may be used only in selected areas where the SR internal control framework is assessed as adequate.
- Ensure no procurement activities above 10 per cent of the SR agreement's amount or USD 100,000, whichever is lower, are included in the work plan/budget of the SRs.

**Monitoring and Evaluation (M&E):** Closely follow the steps in the [Monitoring and Evaluation](#) (M&E) section of this Manual, and specifically:

- Ensure allocation of adequate resources (time, staff, systems) for M&E activities. The GF recommends that grants allocate 5 to 10 percent of grant funds to M&E, which includes strengthening national data systems for reporting.
- Design a comprehensive and realistic site visit plan and ensure it is regularly carried out (e.g. quarterly).
- Consider designing a variety of monitoring tools, in person visits, tech-based systems (GIS based, social media, photos, etc.), third-party monitoring, and involving end-users in the validation of data and in the review/assessment of the quality of services through client reviews.

**Health Product Management:** Closely follow the steps in the [Health Product Management](#) section of this Manual, and specifically:

- Develop the Health Procurement Action Plan (HPAP) as soon as possible, preferably before the programme begins, and ensure that it is aligned to the Health Product Management Template (HPMT) approved by the Global Fund.

- Ensure SRs have adequate capacities for managing health products, including internal controls for inventory management, WHO's Good Storage and Distribution Practices (GSDP) etc.
- Ensure budget and capacities to establish digital inventory management and reporting systems, if not in place already.
- Establish mechanisms to reduce collusions, by defining opposite responsibilities for supervision visits, storage, and distribution of health products.

#### **Asset management:**

- Ensure SRs have adequate capacities for asset management, including internal controls for asset management, safe storage, etc.
- SR's procurement should be limited to minor supplies of limited value (office supplies, low value services, etc.). Capital assets should be procured by the UNDP Country Office and in no instances, SRs should be authorized to procure more than 10 per cent of the SR Agreement's amount of USD 100,000, whichever is less, on procurement.
- Ensure budget and capacities to establish digital asset management systems, if not in place already.
- Establish mechanisms to reduce collusions and ensure asset focal points have the relevant experience and their work is overseen regularly.

## **Resources**

- [Risk catalogue for Global Fund projects.docx](#)
- [UN SEA Implementing Partners protocol](#)
- [UNDP SEA Risk Management Tool](#)
- [UNDP POPP: AML/CFT operational guidance note](#)

### 5.3 UNDP risk management measures during grant implementation

**Sub-Recipient management:** Ensure ongoing management of Sub-Recipients (SRs) as per [Sub-Recipient Management](#) section of this Manual, and specifically:

- Make sure Capacity Development (CD) plans are in place, addressing key weaknesses identified in the SR Capacity Assessment (CA). To be meaningful, the implementation of the capacity development plan should be completed before the end of the grant, and regularly monitored.
- Ensure financial verification, availability of supporting documents, and alignment with the agreed work plan as precondition for the approval of payments/cash advances.
- Conduct periodic risk-based on-site verifications covering different implementation aspects in the same visit (programme, M&E, health products management, asset management), follow up on the findings/issues/risks raised, and to the extent possible, involve end-users in the monitoring of project results.
- Review procurement conducted by SRs to ensure a competitive process.
- Issue the periodic SR management letters on time and ensure that detailed and customised recommendations are raised to address programmatic and financial challenges.
- Escalate any SR reporting challenges to the Project Board and the relevant government ministry.

**Financial management:** Ensure financial management as per [Financial Management](#) section of this Manual, and specifically:

- Establish a multi-layer verification system, for a front-line review by the PMU and/or a third-party of all the supporting documents justifying expenses and aligning these to the approved work plan and FACE form requirements. A second layer of review performed by the Country Office (CO), before approval of the transactions/payments/advances.
- Mechanism is in place for the SRs to submit all supporting documents, either physically/in person or digitally.
- Review cash payments to individuals ensure these are justified and within the thresholds.
- Ensure Principal Recipient (PR) and SR asset register is up to date and physical verifications conducted as per SOPs.
- Ensure correct and timely disposal of obsolete/non-functional assets.

#### PSEAH

- If the SR's Capacity Assessment identified Prevention of Sexual Exploitation, Abuse and Harassment (PSEAH) capacity gaps, embed oversight of SR's PSEAH measures and implementation of the capacity development plan as part of regular field visits and SR's oversight process.
- Openly communicate about project level Grievance Redress Mechanisms and channel to report behaviours of sexual nature.
- Inform UNDP Office of Audit and Investigations (OAI) through the [hotline](#).

#### AML/CFT

- Continuously work with the CO's Anti-Money Laundering and Countering of the Financing of Terrorism (AML/CFT) focal point to screen new suppliers, NGOs and contractors (counterparties) engaged during project formulation against the AML/CFT database.
- Report any suspicious activity related to money laundering and/or terrorism financing detected during the engagement with an existing counterparty via established mechanisms or via the [hotlines](#).
- Should a counterparty be flagged during the quarterly batch screening done by BMS/Office of Procurement (OP) and UNDP Bureau of External Relations & Advocacy (BERA), the AML/CFT Focal

Point will submit a termination request to the RR/Head of Office, who will then decide on escalation and termination actions.

#### **M&E**

- Conduct quarterly risk-based integrated site visits (programme, M&E, health products management, asset management).
- Increase the oversight on health centres identified as under-reporting and ensure accurate reporting takes place regularly.
- Conduct period on-site verification, follow up on the findings/issues/risks raised, and to the extent possible, involve end-users in the monitoring of project results.

#### **Health Product Management:**

- Validate the required quantities of health products on a quarterly basis and validate forecasts against historic data.
- Update the HPAP semi-annually and ensure it is validated by the BPPS Global Fund Partnership and Health Systems Team's Focal Point HPM focal point.
- Ensure that a quality control plan is prepared and that activities are implemented in a timely manner.
- Submit quarterly progress report on the implementation of the Quality Control Plan (QCP) to the BPPS Global Fund Partnership and Health Systems Team's Health Product Management (HPM) Focal Point for review.
- Conduct regular reconciliations between quantities distributed and population served. Align monthly stock reports of the central warehouse and the regional warehouse with authorised distribution of health products.
- Analyse stock status reports, at least, quarterly to identify any risks around stock-outs or expiry and take necessary action. Inform the Global Fund of any imminent stock-out/expiry risks. When these risks are identified frequently or when the risk materializes and has a significant impact on the program, undertake a root-cause analysis and implement corrective measures.
- Update the monitoring plan visit quarterly, perform periodic visits to assess warehouse management, monitoring storage conditions and ensuring that temperature and humidity are monitored and recorded,
- Follow up on recommendations made during the field visits through an action plan,
- Ensure SRs undertake periodic stock counts and report on them, justifying the variance.
- Reflect stock-out and expiry risks in the Progress Update and/or Disbursement Request (PU/DR) and inform the Global Fund of imminent stock-out/expiry risks.
- During monitoring missions, verify the existence of procured goods and assets, confirm functioning of medical equipment and implementation of routine maintenance activities, and reconcile received and distributed goods.
- Ensure contract management by timely amending contract target dates to mutually agreed target dates.
- Exercise robust performance management of contractors and escalate cases of poor performance to the Procurement Services Unit and the UNDP Office of Legal Services (OLS) to enforce provisions of the contracts. Ensure timely amendment of contract target dates when warranted.

#### **Security:**

- Ensure ongoing monitoring of security situation, existence of contingency plans, and coordination with UNDP security advisor
- Make use of the tools in the [UNDP guidelines for mainstreaming security in programmes and projects](#)

## Resources

- [UNDP guidelines for mainstreaming security in programmes and projects](#)

## 6. UNDP Risk Management Process

### 6.1 Scope and Context

The [UNDP Enterprise Risk Management \(ERM\) framework](#) defines the scope and criteria of UNDP's risk management across the organisation and its projects.

The first step of a risk management process is gathering an understanding of the internal and external context under which the project will operate and seek to achieve its objectives. Contextual factors affecting a project are external and internal. It is important that these are identified and captured in the grant and project document, and are revisited regularly, throughout the risk management process, particularly during annual planning and risk reviews.

Examples of **external factors** particularly relevant to Global Fund-funded projects:

- Security and conflict landscape of the country, presence of violence, conflicts, socio-political tensions, crime, humanitarian crisis, displacements, etc.
- Political stability, national priorities, capacity of government to provide services
- Economic, social, cultural, ethnic, embargoes and sanctions regimes and financial factors and drivers of inequality, stigma, conflicts, corruption, and poverty
- Country's legal and human rights framework, regulatory environment
- Market, infrastructures, inflation, sanctions, etc.
- External stakeholders and relationships, their capacities, presence, technical expertise, perceptions, values, expectations, risk tolerance
- Natural hazards, geography, climate, environmental frameworks

Examples of **internal factors** particularly relevant to Global Fund-funded projects:

- UNDP's mandate in country, United Nations Sustainable Development Cooperation Framework and Country Programme Document
- Existing Country Office's (CO) capacities, resources, knowledge, culture, systems, processes
- Governance mechanisms, institutional arrangements, organisational structure, roles, and accountabilities
- Standards, policies, guidelines, internal controls, wider risk management and control environment of UNDP
- Data, information systems, information flows
- Relationship with internal stakeholders
- Interdependencies and interconnections across projects



#### Practice Pointer

UNDP has a number of risk management tools that can support context setting, as per mapping available [here](#). In addition, a list of key risks affecting the UNDP-implemented Global Fund project can be accessed [here](#).



Contextual factors and risks are captured in the funding request and the UNDP project document, inform the risk assessment process, and are revisited regularly, throughout the risk management process.

## Resources

- [Risk catalogue for Global Fund projects.docx](#)
- [UNDP POPP Enterprise Risk Management \(ERM\) Processes](#)

## 6.2 Risk assessment

As per UNDP's Enterprise Risk Management (ERM) framework and ISO 31000:2018, risk assessment consists of three steps:

1. **Risk identification,**
2. **Risk analysis, and**
3. **Risk evaluation**

Risk assessment is an ongoing and iterative process, completed **no less than once a year**, through risk reviews. The risk review process is described in the [Risk monitoring and review](#) section of this Manual.

**Risk identification:** this is the process to identify and describe risks and opportunities that can affect the achievement of objectives (either positively or negatively). UNDP has a number of predefined and prescriptive tools that can inform the various stages of the risk management process. These are available [here](#). However, given each context is unique, it is a good practice to ensure that risk identification leverages a variety of data, sources of information, and methods.

Common risk identification approaches include:

1. *Review of the context, scope planning, preliminary schedule planning, and resource plan.* This is a critical step in any project management process, and includes a mapping of all the unknowns, strengths, and weaknesses, identified in the work breakdown structure, critical path, detailed project costing, market analysis, estimates, dependencies, etc. This is a multi-functional process and requires technical inputs from the broader Country Office, and regional/global teams.
2. *Brainstorming, Delphi technique with multi-dimensional teams.* This goes beyond discussions with project/programme team. It includes a brainstorming of what could go wrong with technical teams, such as procurement, security, human resources, finance, as well as gender specialist, health, human rights and peace and development advisors, etc. both in country and regional/global offices, inside or outside UNDP.
3. *Retrospective analysis of earlier projects, past performance, evaluations, reviews, lessons learned.* This includes a review of past Global Fund or health implementation projects, both in country and globally. Data can be extracted from risk register/dashboard, evaluations, reviews, lessons learned, audits, interviews, progress reports, etc.
4. *Risk assessments.* These are usually conducted when high/significant or moderate risks are estimated from a preliminary screening and are used to extract more qualitative and quantitative information on the risk exposure and to design the required treatment actions. Both Global Fund and UNDP have a number of required assessments that must be conducted before designing a strategy or signing agreements. A mapping of key UNDP risk management tools is available [here](#).
5. *Interviews, consultations.* UNDP ensures meaningful, effective, and informed participation of stakeholders in the formulation and implementation of development interventions. [Stakeholder engagement](#) is an ongoing gender-responsive, culturally sensitive, non-discriminatory, and inclusive process, ensuring that potentially affected vulnerable and marginalised groups are identified and provided opportunities to participate and to share their views and concerns. This is both embedded in the UNDP project quality standards and a risk management process.
6. *Scenario analysis, assumption analysis.* It allows exploring potential futures and alternative scenarios to account for the uncertainty of the future conditions and their impact on project objectives. At the

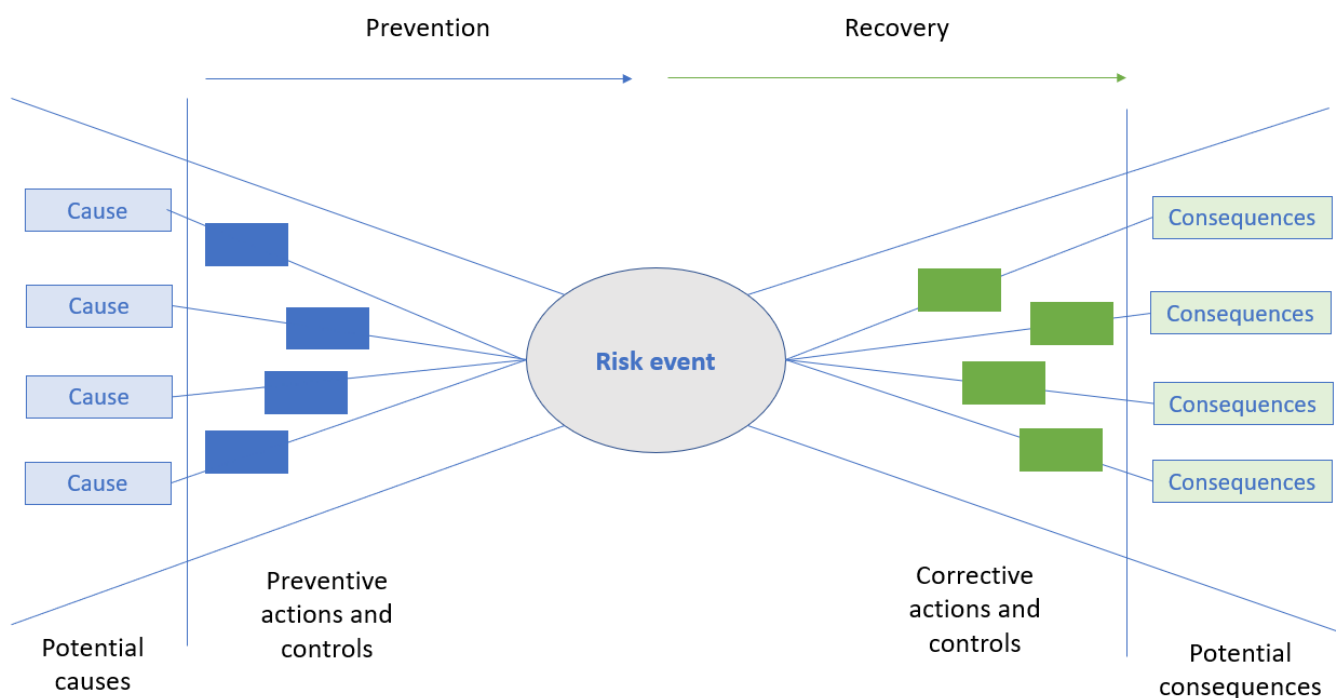
project level, scenario planning can be done through the design of the project theory of change, stress tests, wargaming, etc.

7. *Questionnaire and surveys.* These can be used to collect information on opinions or feelings about a project or a risk. They can also be a set of standardised questions to assess strengths and potential vulnerabilities.

**Risk analysis** is the process to understand the nature of the risk, the source, the causes, and to estimate the level. This step allows writing a risk statement that captures the causes and consequences of the risk for the project objectives.

There are a number of techniques that allow analysing and visualising risks and their causes – fault tree analysis, event tree analysis, Swiss cheese, bow tie analysis, etc.

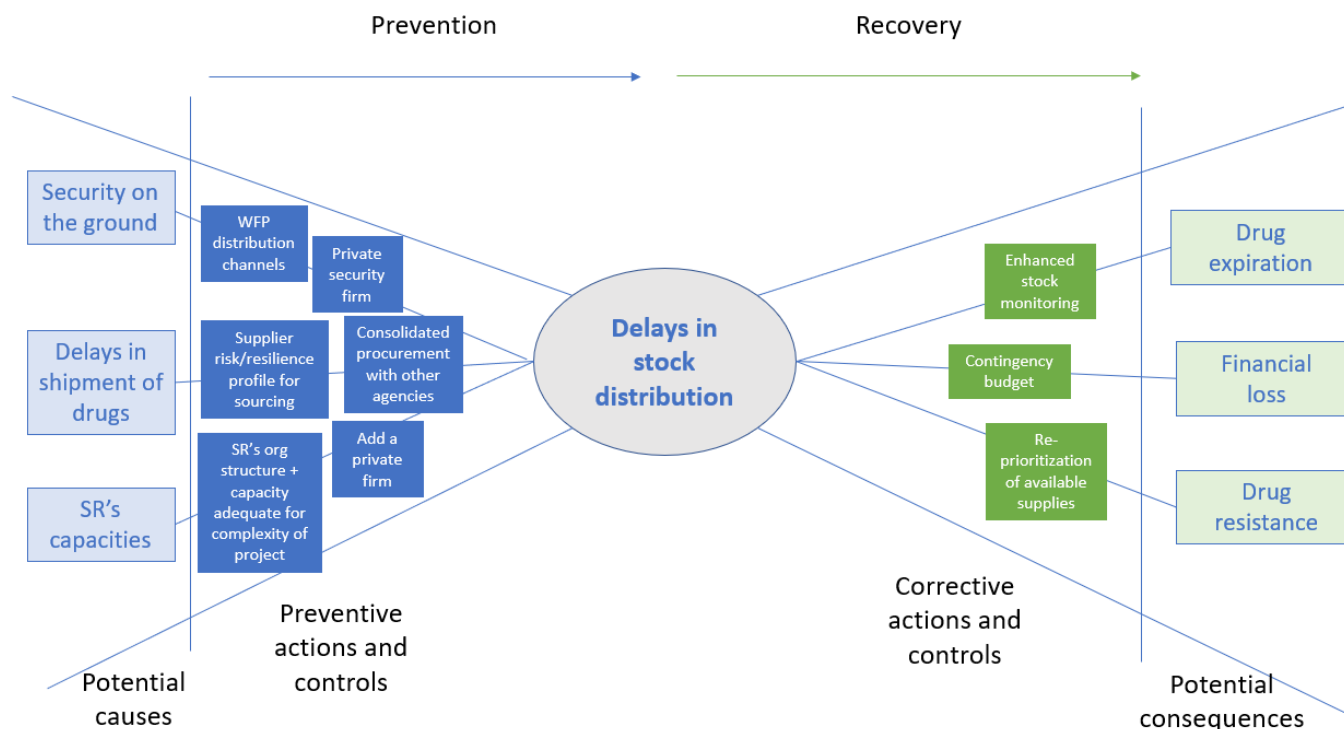
The Bow Tie Diagram is a simple and effective analytical tool that allows to visually identify the potential causes leading to a risk event/critical incident and to map out the proactive measures to control the occurrence of the risk event. Should the controls fail, and a risk event occur (which represents an issue), the diagram also maps out potential consequences and the reactive actions that can limit the negative consequences of the event. *Figure 9* shows a standard Bow Tie Diagram, while *Figure 10* shows an example of a Bow Tie Diagram for a risk frequently identified in Global Fund projects for a deeper understanding of the causal chain and when actions should be put in place.



**Figure 9.** Bow Tie Diagram

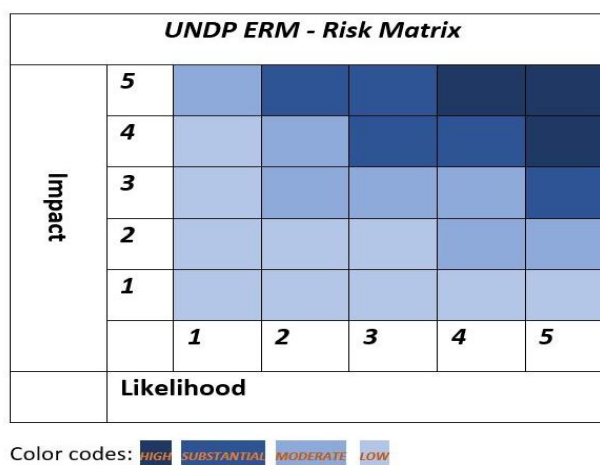
International development projects focus on bringing change in complex environments, where a risk event can be linked to a layer of causes - primary and secondary causes - and can lead to a layer of consequences -

primary and secondary. It is useful to map the causal relationship to gain a better understanding of the causal relations, without trying to minimise the complexity.



**Figure 10.** Example of a Bow Tie Diagram for one Global Fund Project risk event: example created for UNDP-implemented GF projects

The example above is not context specific, so it can include generalities. For an effective risk analysis, if possible, ensure context-specific information is available when building the scenarios for a risk analysis.



**Figure 11.** UNDP ERM Risk Matrix: [UNDP ERM policy](#)

**Risk evaluation:** the use of risk criteria such as the UNDP ERM Risk Matrix to determine risk prioritisation, and the level of acceptance and tolerability of the risk event.

Risk evaluation includes 3 key steps:

1. **Risk rating:** The risk is given an overall rating using the risk criteria model, the 5-point scale listed in the [ERM policy](#) and in *Figure 11*, that looks at the likelihood and the impact of a risk. By giving a rating to the impact and the likelihood, the risk can be rated as *low, moderate, substantial, or high*. Substantial or high risks may require further technical expertise to assess the likelihood/impact.
2. **Risk category:** Once the risk is evaluated, the **risk consequences** are assessed against the 8 ERM risk categories and sub-categories.

1. Social and Environmental	2. Financial	3. Operational	4. Organizational	5. Reputational	6. Regulatory	7. Strategic	8. Safety and Security
1.1. Human rights 1.2. Gender equality and women's empowerment 1.3. Grievances (Accountability to stakeholders) 1.4. Biodiversity conservation and sustainable natural resource management 1.5. Climate change and disaster risks 1.6. Community health, safety and security 1.7. Cultural heritage 1.8. Displacement and resettlement 1.9. Indigenous peoples 1.10. Labour and working conditions 1.11. Pollution prevention and resource efficiency 1.12. Stakeholder engagement 1.13. Sexual exploitation and abuse	2.1. Cost recovery 2.2. Value for money 2.3. Corruption and fraud 2.4. Fluctuation in credit rate, market, currency 2.5. Delivery 2.6. Budget availability and cash flow	3.1. Responsiveness to audit and evaluations (Delays in the conduct of and implementation of recommendations) 3.2. Leadership and management 3.3. Flexibility and opportunity management 3.4. Reporting and communication 3.5. Partners' engagement 3.6. Transition and exit strategy 3.7. Occupational safety, health and well-being 3.8. Capacities of the partners	4.1. Governance 4.2. Execution capacity 4.3. Implementation arrangements 4.4. Accountability 4.5. Monitoring and oversight 4.6. Knowledge management 4.7. Human Resources 4.8. Internal control 4.9. Procurement	5.1. Public opinion and media 5.2. Engagement with private sector partnership 5.3. Code of conduct and ethics 5.4. Communications 5.5. Stakeholder management 5.6. Exposure to entities involved in money laundering and terrorism financing	6.1. Changes in the regulatory framework within the country of operation 6.2. Changes in the international regulatory framework affecting the whole organization 6.3. Deviation from UNDP internal rules and regulations	7.1. Alignment with UNDP strategic priorities 7.2. UN system coordination and reform 7.3. Stakeholder relations and partnerships 7.4. Competition 7.5. Government commitment 7.6. Change/turnover in government 7.7. Alignment with national priorities 7.8. Innovating, piloting, experimenting	8.1. Armed conflict 8.2. Political instability 8.3. Terrorism 8.4. Crime 8.5. Civil unrest 8.6. Natural hazards 8.7. Manmade hazards 8.8. Cyber security and threats

As of Dec 2023 : [UNDP ERM policy](#)

3. **Risk significance and escalation:** The risk is now compared against the risk significance in the corporate risk appetite for that category. See the [UNDP Risk Appetite Statement \(RAS\)](#), [UNDP RAS Guidance](#) on how to apply the RAS. If needed, and if the risk is above the ERM escalation conditions, the risk is escalated following the process in the [Risk escalation process](#) section of this Manual.

## Resources

- [UNDP POPP Enterprise Risk Management \(ERM\) Processes](#)
- [UNDP POPP: Managing Risks Across Programmes and Projects](#)
- [Risk catalogue for Global Fund projects](#)

## 6.3 Common risks identified in Global Fund projects

Global Fund projects are implemented in rapidly changing and complex operating environments. Despite their differences, there are ranges of contextual, operational and institutional risks that impact the risk profile of Global Fund-funded projects. The [Risk Catalogue for Global Fund projects](#) is a compilation of common risks faced by Global Fund-funded projects as reported by Project Management Units (PMUs), Country Offices, Regional Bureaus, audits, evaluations, and oversight. These risks are organised along the 8 UNDP ERM risk categories and can be used as a practical input to support the risk identification process during project design, planning, and risk reviews. For each possible risk, a list of potential contributing factors/causes is provided to help with risk identification and analysis. It is recommended to ensure risk statements are as specific as possible, as per guidance in the [Risk Reporting and Recording](#) section of this Manual, and some suggestions are provided on this in the risk catalogue. The risk catalogue expands on the following common risks identified in Global Fund projects:

1. **Social and Environmental**
  - a. Human rights barriers and/or gender stigma
  - b. Ineffective stakeholder engagement
  - c. Sexual exploitation and abuse, and sexual harassment
  - d. Community health, safety, and security incidents
  - e. Unsafe working and labour conditions
  - f. Pollution and healthcare waste
2. **Financial**
  - a. Ineligible expenditure
  - b. Theft, diversion, or fraud of financial and non-financial assets
  - c. Loss or damage to non-financial assets
  - d. Low/delays in delivery
3. **Operational**
  - a. Inadequate Sub Recipient (SR) internal controls, reporting, and compliance capacities
  - b. Poor oversight of SR financial and programmatic performance
  - c. Poor engagement in and effectiveness of TB interventions
  - d. Poor engagement in and effectiveness of HIV interventions
  - e. Poor engagement in and effectiveness of Malaria interventions
  - f. Poor sustainability
  - g. Inability to provide co-financing
4. **Organisational**
  - a. Delays in submission of quality results reports
  - b. Inadequate Monitoring & Evaluation (M&E) and poor data quality
  - c. Substandard quality of health products
  - d. Drug stock outs and overstocks
  - e. Poor warehouse management and inventory management system
  - f. Delays in in-country distributions
  - g. Delays in procurement/contracting
  - h. Ineffective Country Coordinating Mechanism (CCM) /board oversight
  - i. Gaps in PMU's human resources
5. **Reputational**
  - a. Public and donor opinion
6. **Regulatory**
  - a. Changes in in-country regulatory framework
  - b. Failure to observe UNDP policies and procedures
7. **Strategic**
  - a. Delays in government decisions
  - b. Changes in government
8. **Safety and Security**
  - a. Safety risks for staff, Sub-recipients, or target groups

## Resources

- [Risk catalogue for Global Fund projects](#)

## 6.4 Risk treatment

A risk treatment is any action taken to prevent or respond to a risk or an opportunity. Following the risk assessment, a key step of the risk management process is the identification of specific treatment actions.

UNDP's Enterprise Risk Management (ERM) policy has identified 4 types of response:

- **Terminate** - eliminate the activity that triggers such a risk
- **Transfer** - passing ownership and/or liability to a third party
- **Mitigate** - reducing the likelihood and/or impact of the risk below the threshold of acceptability
- **Tolerate** - accepting the risk level, usually for low (impact/likelihood) risks

Practical examples of treatment actions along the 3 risk categories are provided below.

Risk treatment	Contextual risks*	Programmatic risks	Institutional risks
Risk termination	<ul style="list-style-type: none"> <li>- This type of risk can only be avoided by not investing in an area with contextual risks. Some contextual risks can be terminated by not pursuing activities in areas with contextual risks outside UNDP-GF risk appetite</li> </ul>	<ul style="list-style-type: none"> <li>- Terminate a construction project if negative impact outweigh the objective</li> <li>- Terminate an agreement with a SR if there are risks of harm to communities.</li> </ul>	<ul style="list-style-type: none"> <li>- Termination of an agreement with a partner when found to have been engaged in fraud.</li> <li>- Termination of procurement activities from a partners workplan when the capacity assessment shows limited procurement capacities.</li> </ul>
Risk mitigation	<ul style="list-style-type: none"> <li>- Develop contingency and business continuity plans.</li> <li>- Reduce impact through staff training and awareness, project design etc</li> </ul>	<ul style="list-style-type: none"> <li>- Increase monitoring in a project if there is a risk of deviation from planned objectives.</li> <li>- Ensure continuous engagement with stakeholders and integrate their views and concerns in project design/implementation.</li> </ul>	<ul style="list-style-type: none"> <li>- Introduce financial controls and verify supporting documents of every transaction or transactions above a set threshold.</li> <li>- Reduce impact of fire by installing fire extinguisher, sprinkles, alarms, etc.</li> </ul>
Risk transfer	<ul style="list-style-type: none"> <li>- Engage insurers such as for political violence insurance</li> <li>- Transfer/share risk with donor</li> </ul>	<ul style="list-style-type: none"> <li>- Engage third-party monitoring with access in remote locations to ensure consistent data collections.</li> <li>- Engage a private firm to support stock distribution.</li> </ul>	<ul style="list-style-type: none"> <li>- Hire third-party verifiers to review a partner's financial transactions.</li> <li>- Insurance on stocks in the warehouse.</li> </ul>
Risk acceptance	<ul style="list-style-type: none"> <li>- Install controls to minimise harm and decide to continue work with the exposure to contextual risks if risks are low/the potential gains are great enough.</li> </ul>	<ul style="list-style-type: none"> <li>- Establish controls and continue the partnership with a low performing partner, if terminating the agreement would harm key populations.</li> </ul>	<ul style="list-style-type: none"> <li>- Fraud and corruption are not tolerated.</li> </ul>



\* The ability of development actors to influence contextual risks (inflation, change in government leadership, natural disasters, conflicts, etc.) is often very limited. This means that the ability to treat contextual risks is often limited to developing **contingency plans** or accepting the risks, if low-risk and/or within UNDP's risk appetite.

For each risk, UNDP assigns a Risk Owner and a Risk Treatment owner.

- **Risk Owner** – the person with the ultimate accountability and authority to manage the risk. At the project level, this is often the project manager.
- **Risk Treatment Owner** – the person assigned with the responsibility to ensure that a specific risk treatment is implemented.

## 6.5 Risk recording and reporting

UNDP’s Enterprise Risk Management (ERM) policy requires that the risk management process and its outcomes are documented and reported in order to facilitate communication, inform decision making, improve risk management processes, and assist coordination with stakeholders. In UNDP, the **Risk Register** is the method to record and report on the risk management process and to assign the accountability for the treatment of the risks. An offline Portfolio/Project Risk Register Template is available in the Programme and Project Management (POPP), which is mirrored in the UNDP Enterprise Resource Planning (ERP) system (Quantum). Specifically, the following information are populated under the Project Risks section of the Quantum Project Results module:

Risk Statement	Risk Treatment	Risk Escalation Status
<ul style="list-style-type: none"> <li>● Risk Category</li> <li>● Risk Sub Category</li> <li>● Event</li> <li>● Causes</li> <li>● Impact</li> <li>● Risk Owner</li> <li>● Risk Valid From</li> <li>● Risk Valid To</li> <li>● Impact Level</li> <li>● Likelihood Level</li> <li>● Risk Significance/Level (system generated)</li> <li>● Risk Appetite (system generated)</li> </ul>	<ul style="list-style-type: none"> <li>● Activities</li> <li>● Time Plan</li> <li>● Expected Effect</li> <li>● Responsible for treatments</li> <li>● Status</li> <li>● Comment</li> <li>● Treatment for Risk Appetite (check box)</li> </ul>	<ul style="list-style-type: none"> <li>● Risk Escalate / De-escalate Status</li> <li>● Comments</li> </ul>

The risk register captures the results of the previous two steps: the risk assessment and risk treatment. The risk register describes the risk statement, the risk analysis, the chosen risk treatment, risk owner, and treatment owner.



### Practice Pointer

For UNDP-implemented Global Fund projects, the **risk register is for internal use only** and it is not for distribution outside UNDP. If required by the Global Fund, Local Fund Agent, Country Coordinating Mechanism (CCM), donor or stakeholders, please consult your BPPS Global Fund Partnership and Health Systems Team’s (GPHST) Focal Point for advice.

The **Risk Statement** is a sentence, clearly representing the risk assessment process. The risk statement should be framed as conditional events and should show a causal relation between the cause, the event, and the impact. It is structured as follows:

The description can start with a Cause: **‘As a result of [cause]..., there is a risk that/potential for/possibility that [event] may happen ..., which will result in [impact] ...’**

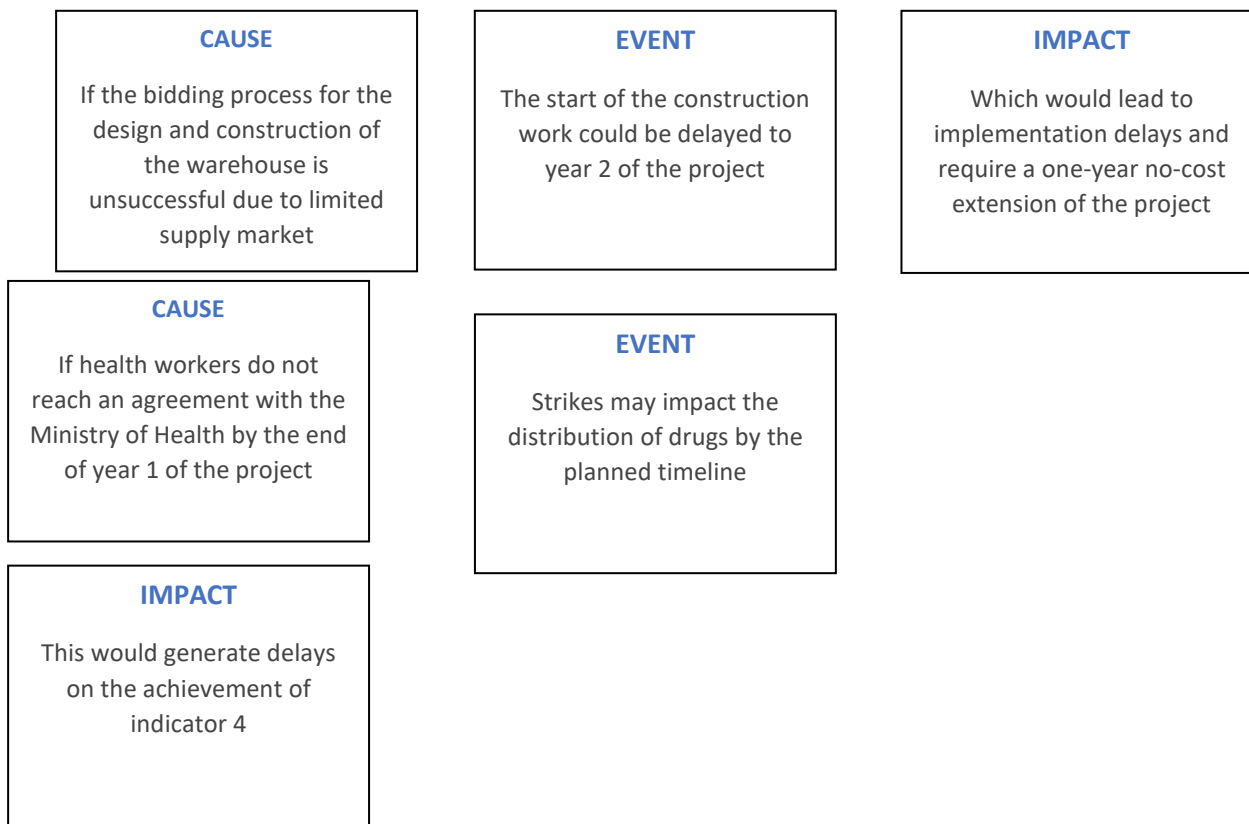
Or

The description can start with the Event: **‘There is a possibility that [event] .... may happen, which can be caused by [cause]...., and this will result in [impact] ...’**

To the extent possible, the risk statement should be specific, and refer to specific elements of the project (scope/ budget/ timeline/ quality) that can be impacted by an identified risk cause. The different components of the risk statement should follow these guidelines:

- **Event** - should be stated in a conditional format and should display uncertainties or express events that might happen (e.g. use of words such as might / could / may / would / potential for, etc.).
- **Cause** - should be within the purview of the project and should not duplicate or overlap with the risk event.
- **Impact** - should articulate specific project objectives, outputs, or results which would be directly impacted should the event of the risk occur.
- **Treatment** - should be related to the identified cause or event and should be within the framework of the project. It should refer to concrete actions that the “owner” will ensure are in place to manage the risk effectively. An observer should be able to objectively evaluate if the actions have been done or not. Changes in treatment plans or measures may be required if there is a major change in internal and external context,
- **Risk and treatment owners** - should mention the name and title of the person, avoiding mentioning multiple institutions or individuals.

The below are a couple of examples of complete and specific risk statements to help design effective treatment actions.



### Quality considerations:

Risk statements and risk treatments don't have to be long or complicated sentences, but it is useful to ensure that these include a few key quality considerations:

- *Completeness* – all information on the cause, event, impact, treatment, risk owner, etc. are available in the risk statement and risk treatment and are up to date.
- *Uncertainty* – the risk statement refers to a potential uncertainty that has not happened yet, not those that have already happened (i.e. issues).
- *SMART* – risk statement and risk treatment are *Specific, Measurable, Attainable, Relevant, Time-bound*.
  - o *Specific* - The risk event and impact clearly relate to one (not many) cause identified. The risk treatment is a specific action that can be attributed to the cause/threat identified. If a risk event has several causes, these are reflected as different risk entries, with related risk treatment action and Treatment Owner. The impact should refer to a particular element of the project objective (e.g. scope, cost, schedule, or quantity) that would be affected by the risk event and cause.
  - o *Measurable* - The risk statement is measurable with precise metrics to assess the impact on the project objectives. It should be possible for an objective observer to determine if the cause, event, and impact occurred or did not occur.
  - o *Attributable* – the risk statement should specify an element of the project (e.g. contracts, construction, etc.) where the risk will materialize. It would help to indicate which project element based on the planned project activities will be affected by the risk.
  - o *Realistic* – The risk statement should refer to causes that can be managed within the framework of the project or UNDP. The risk event should be within the management capacity of the project (i.e. issues such as wars, natural disasters, political revolutions, etc. are not within the project framework to manage).
  - o *Time-bound* – the risk statement and treatment action have a clear dimension of time as when they are estimated to occur (e.g. by the third quarter of the fiscal year, three months before the elections, etc.)
- *Accountability* – the risk owner and risk treatment owner are clearly mentioned with one name and/or job title (not an organisation) and are aware of their responsibility.

For UNDP-implemented Global Fund projects, risk reporting is included in the Pulse Checks, Progress Update and Disbursement Request (PUDR). See the [reporting](#) section of the Manual for details. Risk and performance reporting is also included in the UNDP corporate annual reporting system, ROAR, led by the UNDP Country Office (CO).

Identified risk mitigation measures and their status are also regularly reported to the Project Board. It is the responsibility of the UNDP's Global Fund Programme/Project Manager to inform the Project Board on a timely manner regarding new risks, changes to existing risks, or escalation of risks. Should the risk register change in between CCM meetings, the CCM can be informed through a communication from the Project Manager.



### Practice Pointer

The risk register is an ongoing tool, **to be updated at least once a year, or more frequently for significant and high risks**, through real-time monitoring. New risks can be added as they emerge, and treated risks can be closed.

All risks identified across the UNDP's Enterprise Risk Management (ERM) categories and UNDP key risk management tools (see a mapping [here](#)) are reflected in the project risk register.

Significant project-level risks which are relevant for the CO programme and the broader CPD, should be discussed with the CO Project Assurance / Programme Team and included in the CO's IWP Risk Register.

## 6.6 Risk escalation process

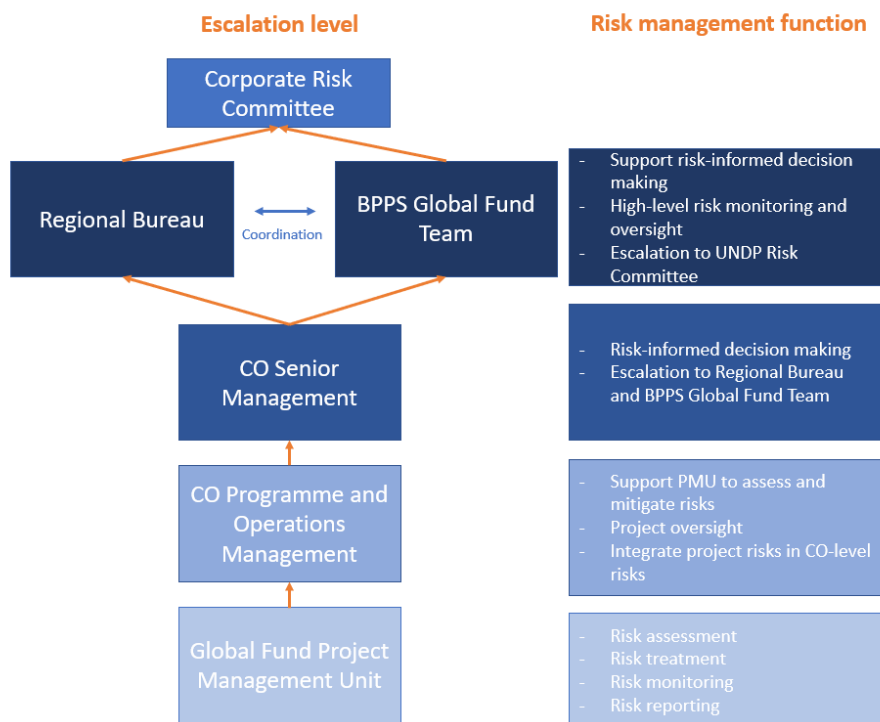
All UNDP personnel have a role in risk management and are responsible for identifying and managing the risks that affect the achievement of objectives related to their areas of work within their delegated authority. All UNDP personnel are also responsible for reporting allegations of misconduct as per process detailed in [Where to Go When Guide](#) of the UNDP Ethics Office. All UNDP personnel must inform themselves of their responsibilities and obligations as outlines in the [UNDP Code of Ethics](#) and consequences outlines in the [UNDP Legal Framework for Addressing Non-Compliance with UN Standard of Conduct](#).

When a Risk Owner and/or a Project Manager of a UNDP-implemented Global Fund project faces circumstances pertaining to the risk treatment that exceed his/her authority/mandate or expertise, the risk is escalated. Global Fund project level risks are escalated upward according to the UNDP Enterprise Risk Management (ERM) risk escalation conditions:

- Risk treatment requires expenditures that are beyond what the Risk Owner is authorised to decide; and/or
- Risk cuts across, or may impact, multiple offices (e.g. reputational risk, changes to corporate policies); and/or
- Grievances from stakeholders have been received to which the Risk Owner cannot impartially and/or effectively respond (e.g. through UNDP's Stakeholder Response Mechanism); and/or
- A serious security incident has occurred which has impacted UNDP personnel, facilities or programmes or the security environment has deteriorated requiring additional treatment measures and/or security advice; and/or
- When the risk significance level is determined to be High.

Risks are escalated from the Project Manager / Risk Owner through the project risk register in Quantum by changing the ownership of the risk and only after the receiving manager has confirmed that s/he accepts the ownership. See [UNDP ERM policy](#) for details.

Risk management is a bottom-up process and for risks identified by the project, the risk escalation flow in *Figure 8* is followed:



**Figure 8.** Risk Escalation Flow for GF Projects: [adapted for GF project from UNDP ERM Risk Escalation Guideline](#)

In addition, the BPPS Global Fund Partnership and Health Systems Team (GFPHST) developed **additional escalation criteria** with a flow **from the GFPHST to the RRs and the Regional Bureaus** through the semi-annual reporting of the risks identified by BPPS. These are triggered when the GFPHST during the quarterly and semi-annual Performance and Risk Reviews, or as per the Team’s regular risk monitoring and oversight functions, recognizes that issues have materialized and require Regional Bureau’s involvement.

## Resources

- [UNDP Ethics Office: Where to Go When Guide](#)
- [UNDP Code of Ethics](#)
- [UNDP Legal Framework for Addressing Non-Compliance with UN Standard of Conduct](#)
- [UNDP Enterprise Risk Management policy](#)

## 6.7 Communication and consultation

Risk management is consultative, and communication is ensured throughout the risk management process. This includes:

1. Ensuring, effective and informed engagement and participation of the stakeholders and at-risk groups involved in the project
2. Ensuring an inclusive risk management process, by bringing together all required technical expertise in the risk management cycle
3. Provide sufficient information to ensure oversight and risk-informed decision making through dedicated discussions on risks during meetings with the Country Coordinating Mechanism (CCM) and between the BPPS Global Fund Partnership and Health Systems Team (GFPHST) and the Regional Bureau.

In Global Fund projects, the Local Fund Agent is expected to escalate risks to the donor. However, risk communication can and should also start from UNDP Project Management Unit (PMU). This can take place internally across the UNDP three lines of defence, as per [UNDP-Global Fund risk management framework](#), and/or from the Principal Recipient to the CCM and through letters to the donor, for critical (and often contextual or programmatic) risks.



## 6.8 Risk monitoring and review

**Risk monitoring** is an integral part of the project Monitoring and Evaluation (M&E) process which is expected to assure that the project risk management process is effective and contributes to achieving project objectives.

**Who does it?** Within UNDP, risk monitoring is conducted at several levels, as per the three lines of defence and the framework listed in the [Risk management architecture for UNDP-implemented Global Fund projects section](#) of the Manual.

The risk owner is responsible for monitoring progress and effectiveness of the risk treatment action and ensuring that regular risk reviews take place.

**How is it done?** Risk monitoring is closely linked with project compliance and M&E activities. In addition to standard corporate tools, UNDP offices implementing Global Fund-implemented projects have developed a number of data collection and reporting tools, both using technologies and involving communities in independently monitoring project activities. Key mechanisms for risk monitoring include:

1. Results monitoring and site visits are actively used to identify emerging risks and provide suggestions on required treatments. Risk monitoring is therefore integrated in **M&E plans and templates**, such as those used to assess effectiveness of interventions, back to the office reports from site monitoring visits, results reporting, etc.
2. A complementary and effective approach to M&E and risk monitoring includes the **involvement of the end users** in monitoring the effectiveness of the interventions and collecting feedback or concerns on the activities. This can be done through third-party monitoring systems, community-based monitoring and surveys, integrated bio-behavioural surveys and/or bio-behavioural sentinel surveillance. For more details on existing practices in offices implementing GF projects, ask your BPPS Global Fund Partnership and Health Systems Team (GFPHST) focal point. **Technologies** can be used to enhance and monitor access and effectiveness of health services. These carry some inherent risks and **risk assessments** must be conducted as per checklist in the UNDP Guidance on the [Ethical Use of Digital Technologies for Health Programmes](#) to consider ethical, confidentiality, impartiality, access, knowledge risks in the roll out.
3. Institutional risks are closely monitored through **compliance activities**, such as spot-checks, financial verifications, Sub Recipient (SR) and/or Global Fund audits, procurement committees, etc. which are used to gather more information on the risk exposure and plan for corrective actions.
4. The UNDP [Quality Standards for Programming policy](#) outlines UNDP standards and mechanisms to assure programming quality. At the implementation and monitoring stage, projects are assessed at least every other year on the extent to which risks are identified with appropriate plans and actions taken to manage them. It also verifies whether Social and environmental sustainability are systematically integrated and whether potential harm to people and the environment are avoided, minimized, mitigated, and managed. Risks related to countries under crisis context are also monitored through the crisis risk dashboard.

**When is it done?** Risk monitoring is an ongoing process, as frequent as project M&E activities. In addition to the annual planning process, **project risk reviews** are conducted **at least once a year**, and the results reflected in the project risk register.



### Practice Pointer

Ensure that **mechanisms are in place to follow up on the findings** emerging from risk monitoring and financial/programmatic oversight. This data can be used to adjust project assumptions, including partner risk ratings, and reflect the analysis and agreed treatment in the project risk register.

## Resources

- [UNDP Guidance on the Ethical Use of Digital Technologies for Health Programmes](#)
- [UNDP POPP: Quality Standards for Programming policy](#)

## 7. Risk management in crisis settings

### 7.1 UNDP policies

Global Fund policies and tools for risk management in high-risk and crisis settings are available in the [Global Fund Risk Management Framework and tools section](#).

UNDP has two main policies to guide the response to crises:

- [Standard Operating Procedure \(SOP\) for crisis response and recovery](#) which provide a corporate institutional and operational framework so that critical decisions and actions can be taken quickly in response to crisis situations. The SOP focuses on the **relatively brief** period between the onset or identification of an imminent crisis and the point when a Country Office has in place the resources to implement recovery and resilience initiatives. The SOP outlines the relationships, responsibilities and communication between Country Office, Regional Hub, and Headquarters, during the crisis response.
- [Financial Resources for Crisis Response](#) released by the Crisis Board following a crisis triggering event or by the Crisis Bureau for undeclared crisis situations.
- In addition, in 2017 UNDP mainstreamed into relevant corporate policies a number of [fast track measures](#) and some of these provisions can be delegated to the Head of Office by the Regional Bureau or other Central Bureaus and routed through the Regional Bureau.

The [UNDP Crisis Response Portal](#) provides all the necessary guidance, templates, and resources for preparing and responding to short or protracted rises. It includes:

- early warning and preparedness measures
- crisis response packages
- port-crisis closure and transition arrangements
- operational measures for crisis response
- Communication and visibility toolkit
- Emergency deployments and UNDP Global Policy Network (GPN) roster

### Resources

- [UNDP POPP: Standard Operating Procedure for crisis response and recovery](#)
- [UNDP POPP: Financial Resources for Crisis Response](#)
- [UNDP Crisis Response Portal](#)

## 7.2 Considerations in high-risk environments

In addition to measures for crisis response applicable to specific UNDP Country Offices (COs) there are additional provisions to consider for Global Fund grants implementation in high-risk environments.

The CO/Principal Recipient (PR) should check with the Global Fund whether the country (or affected region within a country) is classified as a Challenging Operating Environment (COE), which could mean additional Global Fund policy flexibilities are applicable.

The main principle for managing Global Fund grants in high-risk environments is the increased need for UNDP CO/PR to manage risk, document this process and communicate. During grant-making/reprogramming request or defining project stage/grant-making, risks should be identified, and risk treatment planned and reflected in project plans. If the onset of a crisis is sudden, one of the first steps to be undertaken is analysis of risks created by the crisis, and identification of immediate responses required.

By default, implementing grants in high-risk environments means higher risks. The need to continue delivery of lifesaving services calls for agility and flexibility in procedures (both **UNDP Fast Track measures mainstreamed in POPP** and [Global Fund COE provisions](#)) while ensuring sound programmatic engagement and support ([UNDP Crisis Response Portal](#)). Since existing procedures are part of internal controls, relaxing them means the organisation is accepting higher risk. According to the standard Grant Agreement, the PR bears all grant-related risk. Therefore, in high-risk environments the PR should consider the following:

- Ensuring **uninterrupted services** in the high-risk environment may require a change in implementation arrangements, especially if the crisis onset happened after grant signing. In situations of natural disaster or armed conflict the project beneficiaries may be displaced, and a quick assessment may be required to understand how to provide health services in the changed circumstances. Supplying health products to new service delivery spots may require changes in pre-crisis practice.
- **Safety risks** to project beneficiaries and staff should be carefully examined. This is applicable not only in areas of armed conflict or natural disasters, but also where activities of key affected populations are criminalised. Immediate risk mitigation measures in such circumstances include ensuring confidentiality of beneficiary data, controlled and limited access to records, use of unique identifier codes and partnering with national institutions. Long-term measures include policy work to change punitive laws.
- **Communication and consultation** as part of risk management is essential in high-risk environments. It is necessary to discuss the risks, causes and impact with Sub-recipients (SRs), and jointly plan risk treatment. It also involves discussing risks with other key project partners at the country level, since common risk mitigation measures may be applied. Finally, it is very important to communicate about risks with the Global Fund and flag any “unknown” areas. For example, in case of armed conflict outbreak in part of the country which prevents access to sites, the Global Fund should be informed about the PR’s inability to access and verify assets in the conflict zone, and the Global Fund should decide if this is acceptable.
- In the given circumstances, can the PR honour the **obligations undertaken under the Grant Agreement** with the Global Fund? For example, the Global Fund can request that all assets purchased with grant funds are returned to the Global Fund. In situations of armed conflict, the PR should flag the uncertainty related to physical verification and control of assets which will be given to SRs in the zones not accessible to the PR. Other example includes access to service delivery sites for verification of programmatic data.
- Whether the **programme objectives are realistic** – This is particularly important in situations where the context changes after the grant is signed. The PR should undertake an analysis of assumptions used to set the original targets, and their validity in the changed circumstances. When necessary, a reprogramming request should be submitted to the Global Fund.
- **Weaknesses in national systems and capacity** is often the main contributor to high-risk environments for Global Fund grant implementation. This is addressed by midterm capacity development measures, aiming

to address root causes. In the short-term, mitigation measures can include outsourcing and engaging technical assistance for key implementers. For UNDP-managed grants, in case of weak capacity for financial management at SR level (as determined by the SR capacity assessment) transfer of funds to the SR is usually avoided and SRs implement sub-projects through direct payment modality.

## Resources

- [Global Fund COE provisions](#)
- [UNDP Crisis Response Portal](#)