

Stop TB Partnership

Risk Management Framework

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DRAFT

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I. Introduction

Risk is an uncertain (generally adverse) consequence of an event or activity with respect to something that human beings value. The Stop TB Partnership (hereinafter referred to as “STBP”, or “Partnership”) considers that in order to meet the challenges of TB control globally it needs to invest in innovative approaches. It therefore considers risks as presenting not only issues that creates problems but also as opportunities for initiating activities or applying technologies.

Risk Management in STBP has two objectives: (i) To provide assurance to regulators, donors, partners and other stakeholders that risks are identified early and action taken to achieve the objectives of the strategic goals of the Partnership, and (ii) To provide risk management information to make better informed business decisions leading to timely delivery of results in projects undertaken by STBP.

This framework establishes an arrangement and outlines processes that are to be implemented by STBP to manage the risks it faces in its various areas of work. It can fulfill its mandate by keeping these risks within its risk capacity¹ that will help ensure that the Partnership can benefit from opportunities that present themselves.

It describes the advantages and disadvantages of risk management and the current capacity of the Partnership to accept risks i.e. its risk appetite.

This framework describes the operating context of the STBP. It defines the risk strategy, and the policy that the Partnership will pursue in managing its risks. It gives the structural elements of risk that will be managed within the Partnership and how these will be communicated and reported on formally.

II. Risk Management within UNOPS hosting of the Partnership

The STBP is hosted by the United Nations Office for Project Services (UNOPS) in Copenhagen with day to day administrative support from its Geneva Office. It assumes its legal identity from UNOPS and therefore availing the privileges and immunities of the United Nations. Due to this arrangement it is subject to UNOPS’ risk management system. However, that system relates primarily to custodial responsibility of donor funds provided to STBP and their disbursement as per the individual grant agreements. STBP will follow UNOPS’ administrative rules and regulations for all aspects relating to HR, finance and procurement of goods and services.

UNOPS has no governance responsibility for the Partnership and the STBP Coordinating Board is not part of the UNOPS decision-making and accountability hierarchy with respect to STBP’s areas of work. It has no reporting relationship to UNOPS except for following its administrative rules and regulations. STBP falls under

¹ The amount of risk it can take

the internal audit of UNOPS and therefore has to comply with its recommendations with respect to UNOPS administrative rules and regulations.

In addition, UNOPS has no mandate for public health so it has no directive authority over STBP. Accordingly, the management of risks that STBP faces with respect to its strategic decisions, design and implementation of programmes are solely the responsibility of STBP management. The oversight of risk management rests with its Executive and Finance committees and the Coordinating Board.

III. Background

The STBP is a Global Public Health Partnership hosted by the United Nations system with the power to align actors all over the world in the fight to end TB. It has evolved into a large global coalition of more than 1500 partners globally. Its vision is a TB-free world under the guiding principle that “Our children will see TB eliminated in their lifetime”. Its mission is:

*“To ensure that every TB patient has access to effective diagnosis, treatment and cure
· To end transmission of TB · To reduce the inequitable social and economic toll of TB ·
To develop and implement new preventive, diagnostic and therapeutic tools and strategies to end TB”*

STBP ensures a voice for the TB community at the highest levels. The various grant programmes of the Partnership identify and fund innovative approaches to find and treat new TB cases. It plays a key role in procuring anti -TB drugs and diagnostics across the world. Its market-shaping abilities help reduce prices, improve forecasting and prevent stock-outs of anti TB drugs.

In 2015, STBP launched the *Global Plan to End TB 2016-2020: The Paradigm Shift*². The new Global Plan 2016-2020 sets out the actions and resources needed over the next five years to set the world on a course to end the global TB epidemic by 2030 and has been endorsed by world leaders in the newly adopted Sustainable Development Goals (SDGs). The Plan makes it clear that what is needed to end TB is a paradigm shift - a change in the way we fight TB at every level, in every community, in every health facility, and in every country. To stay on national and international agendas, TB needs diverse country champions, strong engagement from multiple public sectors, businesses and the civil society.

The Partnership needs to make efforts to realize its vision in the long term. In the medium term it seeks to help all partners in achieving the targets set in the above Global Plan. The Partnership sets to do this through its various initiatives and relies on its 2016-2020 strategy and its complex structure comprising of:

- A network of over 1,500 partners that includes 124 non-governmental organizations (NGOs) from developed countries and 985 from developing countries; it brings together 70 communities from 109 countries.
- Seven Working Groups.

² The Global plan to End TB 2016-2020: The Paradigm Shift
<http://www.stopTB.org/global/plan/plan2/>

- Two major initiatives; one that aims to develop innovative mechanisms to reach all people affected by TB; and another that seeks to make quality affordable diagnostics and anti-TB drugs readily accessible to all TB patients.

Due to its global outreach and close engagement with a very large number of partners, it has numerous activities in many countries. Sometimes these interventions are direct but frequently coordinated or implemented through partners.

The Partnership undertakes intense advocacy resource mobilization activities for funding TB control programmes activities to promote the cause of ending TB. Its scope covers scores of countries every year directly and in collaboration with partners. Since its inception its Global Drug Facility has supplied 26 million patient treatments in 134 countries and provided technical assistance to scores of countries and conducted training and monitoring missions in countries to ensure sustainability of national TB control programmes. GDF has developed complex integrated supply chain mechanisms integrating the efforts of countries, manufacturers, freight forwarders, wholesalers, national TB programme entities to ensure uninterrupted delivery of quality diagnostics and anti-TB drugs to countries for sustaining the progress towards a TB free world.

The Partnership also gives grants to NGOs and TB community groups. Since 2010 it has disbursed over US\$95 million in grants to 182 countries in six regions of the world with a modality that includes direct grantees, co-grantees and sub-grantees with individual grants ranging from under US\$200,000 to over US\$1 million for periods ranging from less than a year to three years.

These diverse activities undertaken by the STBP in many countries across the world, through innovative mechanisms of necessity, entail many risks that need to be understood, and managed.

The STBP work focuses on high TB burden countries³ and in a number of them the operating environment is challenging and often risky. To make an impact on TB it is important for the Partnership to recognize the risks and manage them rather than having a risk averse approach.

Some of the risks are known, many are emerging and some may well be unknown at this stage. This framework sets out the foundation of the Partnership's approach to manage these risks. It takes risk management in the wider sense of not only trying to address the generally understood downside of risk avoidance and limitation of impact approach but, also the opportunities that risk acceptance in certain context presents.

The direction of the Partnership is decided by an elected Coordinating Board that meets every nine months. It is supported by an Executive Committee that meets frequently and has the delegated authority to make decisions on matters that would normally be referred to the Board and a Finance Committee that oversees the financial management of the Partnership.

³ The 30 TB High Burden Countries (HBCs) are: Angola, Bangladesh, Brazil, Cambodia, China, Congo, Central African Republic, DPR Korea, DR Congo, Ethiopia, India, Indonesia, Kenya, Lesotho, Liberia, Mozambique, Myanmar, Namibia, Nigeria, Pakistan, Papua New Guinea, Philippines, Russian Federation, Sierra Leone, South Africa, Thailand, the United Republic of Tanzania, Viet Nam, Zambia and Zimbabwe.

IV. Risk Management Framework Purpose

Risk Management is the process of identifying and assessing risks, and establishing measures or controls to bring risks within the Partnership's risk tolerance. Risk management includes activities to realize opportunities while mitigating the negative consequences of events.

The Risk management Framework of STBP defines the key elements of Risk Management in the Partnership, its risk appetite, strategy and policy for managing risk inherent in its work. STBP subscribes to the COSO definition of Enterprise Risk Management (ERM):

“Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding the achievement of entity objectives”.⁴

Adopting a Risk Framework demonstrates the commitment of the STBP Coordinating Board to Risk Management. It clearly specifies roles and accountability for establishing a practical risk management system. It underscores the pledge of its management to use risk management as a tool to avoid being suddenly hit by surprise and to actively seek higher social returns for the investment the donors make through the Partnership in moving towards ending TB.

V. Value of Risk Management to Stop TB Partnership

Risk taking is crucial for social change. It is an integral part of life and the willingness and capacity to take and accept risk is crucial for achieving results in the public health and social welfare arena, for example by introducing innovative approaches for TB case detection and care. Many risks, and in particular those arising from emerging technologies e.g. use of molecular diagnostics techniques, are accompanied by potential benefits and opportunities.

Risk Management is a key element of STBP management practice. Any activity or decision an organization undertakes involves risks. This is even more so in STBP's case given its very ambitious mandate to end TB by 2030. STBP seeks to take risks knowingly and to manage its activities so that it strikes the right balance between insufficient and excessive risk taking. It is expected to help STBP understand, analyse and proactively manage risks and opportunities and help its management to “make things right” (create value) as much as “avoid things from going wrong” (preserve value).

⁴ A number of well-established approaches and standards exist in Risk Management (COSO, ISO, various Risk Management Institutes, etc. They share a number of similar features. STBP's approach tries to identify the elements from those various approaches that are best suited to its business needs and reality and adapt them, complement them as needed so that the approach is both comprehensive and suited to STBP.

It will help improve the quality of decisions and the associated resource allocation as well as enhance internal control, the safeguarding of assets and continuous improvement in actions it takes to realise its ambitious goal.

STBP is aware of the limitations of this management process. Human error and sudden unpredictable changes in the environment are always possible. Implementing risk management may also in certain cases be too costly in view of the benefits of the mitigation.

VI. Objectives of Risk Management

Risk Management in STBP has two objectives: (i) To provide assurance to the Coordinating Board of STBP, its donors, partners and other stakeholders that risks are identified systematically and early action taken to achieve the objectives of the strategic goals of the Partnership in its effort to realize its vision of a TB free world; (ii) To provide risk management information to STBP leadership to make better informed business decisions leading to timely delivery of results.

VII. Key Terms in this Framework

Key risk-related terms as used in this framework are as follows:

- **Risk:** Potential problems (or opportunities) that may arise in the future. In practical terms it is an event or circumstance that may affect the achievement of objectives
- **Risk Management:** The process by which risks are formally managed as an on-going process.
- **Threat:** an event or circumstance that may adversely affect the achievement of objectives.
- **Impact:** The effect of risk relative to the achievement of objectives.
- **Likelihood:** The possibility that a risk will occur.
- **Inherent risk:** It is the risk in the absence of any controls or mitigating actions taken to alter the risk's likelihood or impact. In other words it is the "raw" risk.
- **Residual risk:** It is the risk remaining once controls have been applied.
- **Risk Response:** Decisions made and actions taken to bring the residual risk within the accepted risk tolerance. The Partnership can make the decision to accept, control, avoid, or transfer/share the risk.
- **Risk Capacity (Risk Appetite):** Is the amount of risk an organisation needs to take to be able to realise its objectives.
- **Risk Tolerance:** Is the amount of risk an organisation is willing to take given its mandate, operational imperative and its organisational and financial strength.

VIII. Key elements of the Framework

The STBP risk management framework has the following components:

1. **Risk Philosophy, Principle and Approach**
2. **Risk Strategy**

3. Risk Policy
4. Risk Architecture
5. Risk Governance
6. Risk Management
7. Risk Management Process

1. Risk Philosophy, Principles and Approach:

The Partnership's risk philosophy and principles will guide its functional units and interaction with its Partners and other stakeholders and comprises the following:

- i. Anticipation and management of risk is to commence with planning and designing stage: When developing strategies and work plans, designing and reviewing programmes consider risks to the achievements of expected results; risks can be more easily mitigated when they are identified during the planning stage.
- ii. Risk management is to be embedded in the management process: This will facilitate in building the desired risk culture in the Partnership.
- iii. Risk acceptance is to exclude any unnecessary risks and will be based on the principle of accepting only those where benefits outweigh costs. There is no benefit in accepting any risk if it does not help in realising the objectives of the STBP. Risk elimination in all cases is not the aim of the Partnership.
- iv. Risk management to include recognition of opportunities. This will encourage the recognition of opportunities: Explore Opportunities that arise in support of the expected results along with risks associated with such new interventions.
- v. Prompt decision is to be taken on identified risks: Avoiding or delaying decisions may exacerbate the problem or miss an opportunity. Taking no decision is a decision to default to status quo which should be avoided at all costs. Affirmative management of risks is critical to success.
- vi. Risks to be considered individually and in combination with others: Each risk will be evaluated on its own and in combination with other risks related to the same overall objective.
- vii. Risk Decisions to be taken at the right level. Decisions on risks should be taken at the level of delegated authority. Risks should be escalated to the right level of management when needed.

STBP risk management approach is to:

- Create an environment of “no surprises”.
- Be in a stronger position to deliver its business objectives.
- Manage opportunities to be in a better position to provide both improved services and better value for money.
- Avoid risk failure.
- Take action against risk quickly.

2. Risk Strategy:

Risk can affect the potential of the organization to maximize its current value or create new value or jeopardize its current value. Risk can affect the achievement of strategic objectives and the organization's mandate, its reputation, its operational effectiveness, its staff, its knowledge management or compliance level.

Partnership's risk strategy is based on the following key drivers:

- The Coordinating Board's desire to promote effective risk management as part of the response to steer the Partnership in the current TB landscape with many players and intense competition for resources.
- The need to respond to the various evaluation and internal audit recommendations in a systematic manner.
- The obligation of the Secretariat to understand and manage its risks.
- Donor expectation that STBP under the hosting arrangement has a system to manage risks that are unique to its programme and operations.

The STBP risk management strategy is based on the principles of transparency, coordination, credibility and effectiveness. It comprises:

- Striking a balance between risk and opportunity
 - This will be implemented through identifying, assessing, addressing, reviewing; and reporting risks regularly.
- Following a proactive approach to risk management
 - Key risk management steps will be taken at the stage of designing programmes and planning their implementation especially in relation to risk events that could affect its relationship adversely with national TB control programs and affect its reputation and those that can have a negative impact on its fiduciary responsibilities. Retaining credibility with key stakeholders is critically important to the Partnership.
- Transferring risks where practicable.

3. Risk Policy:

Risk Policy for STBP applies to all processes, activities and all staff. It embodies the Partnership's commitment to risk management and drives all risk management activities within the Secretariat.

Main elements of STBP risk policy are:

- STBP will have the lowest tolerance⁵ for risks related to compliance with administrative, financial, and other rules, regulations, and procedures.
- STBP mandate requires innovation in all functional areas of its work. Decisions on STBP's initiatives and actions will therefore entail a certain level of risk to meet

⁵ The STBP will define its "risk tolerance" to the extent possible. Risk tolerance on one hand refers to the level of risk (or opportunity) STBP is willing to take in pursuit of its objectives. It also refers to the risks STBP decides it can tolerate. The current level of risk tolerances are given in section VIII. The boundaries of the risk appetite of STBP have emerged from the decisions that it has made over time.

the challenges faced in the area of TB work. This implies that higher risks will be tolerated with a mix of caution, agility and due diligence. Such decisions will be based on a rigorous process to identify and mitigate risks to the extent possible. Project management processes are designed to mitigate and address the risks linked to implementation continuously, including risks associated with the project itself.

- In its decision-making processes, STBP will consider and evaluate events, issues and proposals that could negatively impact STBP's reputation, staff safety, the safety of STBP funds or of products funded by STBP and results it expects. It will seek to ensure that identified risks can be effectively managed or eliminated.
- While greater risk may be considered at the strategic level, risks at the operational level need to be reduced. This can be achieved through the application of well-defined guidelines and processes and risk mitigation actions with the cognizance that certain operations will of necessity entail taking risks.
- Risk management will be embedded in the management processes of the Partnership. This will ensure the support of all staff and increase the likelihood of achieving the objectives of risk management.

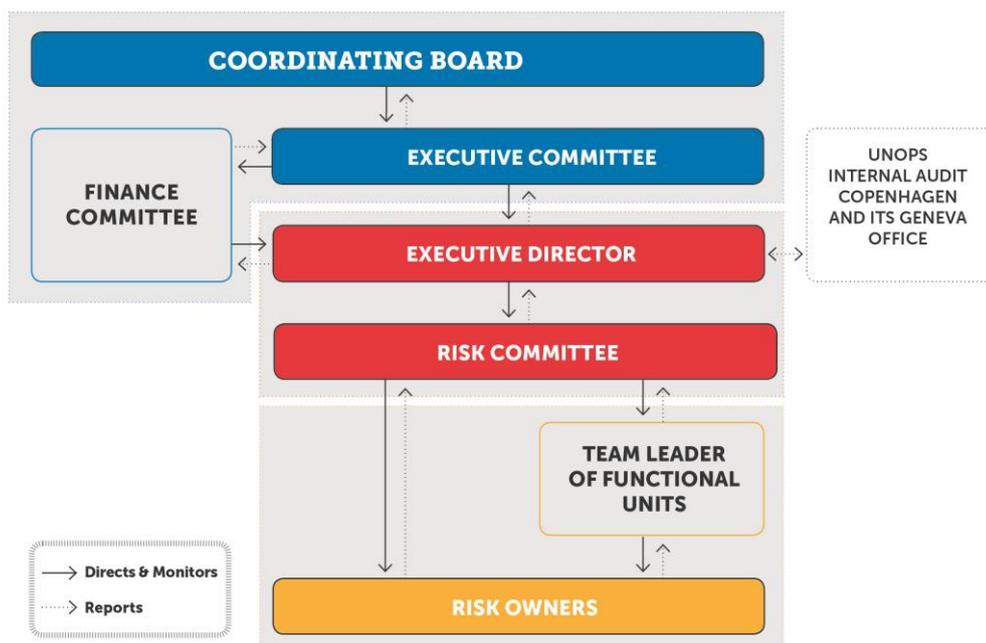
The risk policy will be regularly reviewed and updated as necessary, including through STBP's own learning or through the evolution of Best Practice and general standards in this area.

4. Risk Architecture:

Risk architecture defines the organizational structures responsible for initiating various actions needed for managing risks and the hierarchical and communication responsibilities between the structures.

Figure 1 gives a diagrammatic representation of the risk management architecture of the Partnership.

Figure 1 Stop TB Partnership’s Risk Management Architecture



Roles and responsibilities roughly fall into three categories: Risk governance, risk management (risk acceptance and treatment), and operational actions (risk identification and mitigation actions) on risks. These are carried out by the following structures/persons in the Partnership:

5. Risk Governance:

- **Coordinating Board** is tasked with the governance of risk. It sets the “tone from the top” on risk and eventually determines STBP’s risk tolerance or risk appetite.
- **Executive Committee** acts on behalf of the Board in the governance of risk. It maintains oversight of STBP risk management practices, advises the Board on risk tolerance and other risk related matters, reviews risk assessments and management actions regarding identified risks.
- **Finance Committee** advises the Executive Committee and the Coordinating Board the Board on all financial matters including recommendations on financial risk.

6. Risk Management:

- **Executive Director assisted by risk committee** ensures that the Secretariat carries out all expected actions in relation to risk management. In particular she/he reviews the risk register and proposed risk treatments and guides and monitors their implementation. The Executive Director will also allocate human and financial resources to risk management activities.

- **Risk Committee (RC)** is chaired by the Deputy Executive Director. It comprises four focal points from the Partnership functional units that work in the areas covered by the four Operational Strategy Goals of the Partnership. These focal points will be rotated annually. The risk committee It will meet at least once every quarter to review and monitor risk management activities and to advise the Executive Director accordingly. It will be responsible for maintaining the risk register. It may invite external persons to create awareness and a deeper understanding of risk management processes and bring continuously fresh perspectives to the work of the committee.

Operational Actions on risks

- **Team Leaders** ensure that risk management processes are in place in their units and review risks identified and the corresponding mitigating actions during programme design and implementation processes.
- **Operational action person** is the person identified as being responsible for managing a particular risk, often this will be a Head of Unit but can also be an individual staff member of the Secretariat who is responsible for a budget centre.
- **Individual Employee:** All employees at the operational level have a role to play in identifying or treating risks. This is particularly important for Team leaders for TB REACH and GDF who need to understand the risks associated with the grants, procurement processes, and special initiatives due to exigencies of the area of work under their responsibility throughout the project lifecycle. All employees need to understand, accept and implement risk management processes and make suggestions for improvement.
- **Other individuals** may also contribute to the risk management practice; especially risk identification at STBP such as consultants or the Internal/External Evaluators & Auditors.

7. Risk Management Process;

As part of its quality management system, the Secretariat will ensure that an appropriate set of procedures and tools are developed to support the processes outlined below. *What* needs to be done *by whom*, *when* and *how* will be documented.

Figure 2 below sets out the risk management process.



Figure 2: STBP Risk Management Process

A. Risk Assessment:

A.1. Context Analysis:

This comprises:

- Identification of specific risks that arise in the context of the four program areas structured to meet the four strategic goals.⁶
- Identify causes and consider what is in place and/or what steps have already been taken to manage risk.

A.2 Risk Identification:

The risk management approach will be “Objective Driven”; be used right across all functional units of the Partnership; make an attempt to identify longer term risks that are currently distant; be cognisant of the external risk such as the economic situation in donor countries that may have an impact on its financial resources, build good systems for gathering intelligence.

Risk identification is a process that takes place both formally and informally. After identification the risk must be described by stating:

- The objective whose achievement is at risk
- Cause and effect of the risk

⁶ <http://stopTB.org/about/operationalStrategy.asp>

Risk identification formally occurs at various levels within the STBP's organizational processes:

- Organizational Planning Processes (e.g. *annual work plans*).
- Grant Proposal Assessments and Management Processes for TBREACH (e.g. *risk assessment of new grant proposals and annual review of existing grants*).
- Provision of commodities grants to countries and special initiatives by GDF e.g. the establishment of an effective Strategic Rotating Stockpile (SRS).
- Development and implementation of new financing mechanisms for scale up of new diagnostic tools such as venture lab trust fund, Xpert and LAMP.
- Targeted action on missing data on TB, development of tools for analysing subclinical epidemiological data e.g. estimation of the size of key populations⁷ for design of initiatives to eliminate TB among this group.
- Assurance processes (e.g. Independent External evaluations and IOS assessments).

Risks are also identified through daily activities carried out by the Secretariat. Risk Committee members will help their units discuss and document those newly identified risks which will then be taken into consideration in the update of the STB's Risk Register.

Taking calculated risks and pursuing innovation are not control measures or compliance requirements.

A.3 Risk description:

The Partnership will identify the consequences of different types of risk materialising and give it a risk rating. Risk categories to be considered are as follows:

- **Strategic risk:** Stem from making poor business decisions.
- **Operational Risk:** Arise from sub-standard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment. Is caused by failures of people, processes, technology and external dependencies.
- **Political Risk:** Stem from exercise of power by governmental actors and actions of non-governmental groups causing embarrassment to governments and Partner Organizations. Political risk can be incurred through government inaction or direct action.
- **Fiduciary and Financial Risks:** Are due to poor financial efficiency such as incurring high non-productive financial expenditure; financial noncompliance; financial mismanagement, poor financial reporting; erroneous processing of financial transactions.
- **Societal Risks:** Arise due to incidence of TB not slowing down; increase of drug resistant TB.
- **Legal Risk:** Are caused by claims against STBP Partnership.
- **Reputational Risk:** Stems from loss of public confidence.
- **Emerging risks:** In addition to risks in above categories there will be risks where insufficient information is available. These are risks for which there is

⁷ Key populations are: Minors, Children, drug users etc.

insufficient information available. Particular attention will be paid to these if they are high impact low likelihood risks.

A.4 Risk quantification

This will done by assessing both the likelihood of the risk occurring and the impact it may have should it occur. As the strictly probability based paradigm is too narrow an approach to risk and uncertainty assessments it may lead to misguided decisions if used as the sole source. Therefore STBP will use broader perspectives on risks based on practical experience of persons active in the area of work where risk resides in along with probability based inputs. This approach will be particularly used for emerging risks.

Likelihood will be will be assessed using a scale from 1 to 5 with 1 accorded to a risk event that has a very low likelihood (probability) of occurring and 5 an event which is very likely to happen. This will generate a Likelihood of Risk table as in Figure 3.

Figure 3: Likelihood Table

Risk Likelihood	Definition of Risk Rating	PROBABILITY of Occurrence	Risk level
Very Low	Very Rare-The risk may occur in exceptional circumstances.	<0.1%	1
Low	Rare-The risk may occur in very few circumstance	<1%	2
Medium	Possible- The risk may occur	1-25%	3
High	Likely- the risk is likely to occur	25-50%	4
Very high	Quite likely - Reasonably certain to occur	>50%	5

Impact will be measured by quantifying impact based on the consequences of the risk materialising using a scale of 1 to 5 matrix to determine impact score as in Figure 4.

Figure 4: Impact Table

Consequences of risk	Impact	Rating
Very Low	Negligible impact	1
Low	Minor impact on operational performance which does not impact on target beneficiaries	2
Medium	Medium impact on operational performance that has minor impacts upon target beneficiaries	3
High	Medium impact on operational performance which has an impact on target beneficiaries	4
Very high	Major impact on operational performance that has a significant impact on target beneficiaries	5

B. Risk Reporting Threats and Opportunities:

Risk reporting is done through formal reporting between the following.

- The operating staff who are the first level risk owners and the Risk Committee
- The risk Committee and the Executive Director
- The Executive Director and the Finance Committee for Financial Risks
- The Executive Director and the Executive Committee for non-financial risks
- The Finance committee and the Executive Committee for financial risks
- Executive Committee and the Coordinating Board

Reported risks will cover both “Threats” and “Opportunities”. The narrative report will be supported by the risk register that will have the individual risk along with their descriptions, classification, mitigating actions and risk scores.

C. Risk Planning:

The risk planning stage entails:

1. Annual or ad hoc (If significant information affecting any risk classification becomes available) determination of the risks, and risk scores, and mitigating actions and risk escalation stages.
2. Determination of Response/Treatment for each identified risk. The selected course of action can result in removing, reducing, accepting or transferring the risk.
3. The identified risk owner taking responsibility for ensuring the defined risk mitigation action is taken.
4. Implementation of the selected response.
5. Monitoring of the implementation of the response, review of its effect and undertaking the required mid-course correction.

Annual reporting of risk to governance and management structures of STBP

D. Risk Evaluation and Approval:

This entails assigning a score to each risk, and based on the score approving the risk or taking action to terminate it.

Combining the likelihood and impact tables will generate a risk score for each risk event which determines the criticality level of the risk as shown in the risk score matrix in figure 5.

Figure 5: Risk Score matrix

			Impact				
			Very Low	Low	Medium	High	Very High
Likelihood	Grade		1	2	3	4	5
	Very Low	1	1	2	3	4	5
	Low	2	2	4	6	8	10
	Medium	3	3	6	9	12	15
	High	4	4	8	12	16	20
	Very High	5	5	10	15	20	25
			Low		Moderate	Significant	Severe
Criticality							

- Low Criticality (Risk Score) <5: No concern: Routine action by operations staff.
- Moderate Criticality (Risk Score 5 to 9): Proceed with caution, action by head of program.
- Significant Criticality Risk Score 10 15: Significant risk, action by Deputy Executive Director Management.
- Severe Criticality Risk (Score 16 to 25): Stop action; immediate action required by Executive Director.

STBP has four approval authority levels that carry the responsibility to make decisions regarding risks as shown in Figure 6:

Risks identified as severe (risk score 16 to 25) are considered to be level 4 risks. The Executive Director makes a decision in accepting it after reviewing the risk mitigating action for such risks. In addition she/he will request an action plan will be prepared by the risk owner, reviewed by the leader of the team where the risk resides. The implementation of this plan is overseen by the risk committee.

Risks identified as significant risk score 10 to 12, are considered to be level 3 risks and the Deputy Executive Director makes the decision on accepting the risk after reviewing the risk mitigating action and request an action plan from the risk owner. The implementation of this plan is overseen by the risk committee.

For Moderate risks (Score 5 to 9) the respective programme heads will make the decision and monitor the risk.

For low risks (risk score below 5) considered as level 1 risks, operating staff dealing with the activity concerned will monitor the risk and if the risk level increases escalate it to level 2.

Figure 6: STBP Risk Approval level



E. Risk Treatment:

Risk Treatment is the process of dealing with each risk that has been identified. Selecting and implementing of measures to modify risk. Risk treatment measures will include actions to eliminate transfer, treat and retain after treating or tolerate risk.

Four approaches will be used to treat risk:

- **Eliminate:** These risks can only be reduced by terminating the activity. This treatment is only available in circumstances where the activity that gave rise to the risk is not a business imperative.
- **Transfer:** For some risks the best response is to transfer them. This may be achieved by insurance or by establishing a contract in such a manner that the third person accepts it.
- **Treat and retain:** By introducing controls to reduce risk likelihood and or magnitude. The objective of treatment is to reduce the risk to a level it can be accepted.
- **Tolerate:** This is to accept risk without any further action as the ability to do anything about it may be limited or the cost may be prohibitively high compared to the benefit to be gained. Such risks are to be tolerated as they are an operational requirement.

To determine which of the four approaches will be used and to respond properly to risk STBP will need sufficient information about the risk and depend on its criticality score after mitigating action.

F. Residual Risk Reporting

Residual risk is a risk that remains after mitigation actions have been identified and action plans have been implemented. It will include all previously unidentified risks as

well as all risks previously identified and evaluated but not designated for treatment at that time.

Residual risk reporting will be on a six monthly basis as follows:

- All risks related to financial matters will be reported by the Executive Director to the Finance Committee,
- Finance committee will report the financial risks to the Executive Committee
- Non-Financial risks will be communicated by the Executive Director to the Executive Committee

G. Monitoring

Monitoring the nature and trends of risks as well as the progress made on treating them is part of the mandate of all managerial and supervisory staff. Monitoring will take place regularly. While reviewing the results of past actions, the risk management process itself will benefit from lessons learned which will be used to enhance the process.

IX. Risk Capacity (Appetite)

Risk appetite for different types of risk is 'the amount and type of risk that STBP is willing to take in order to meet its strategic objectives.

The following table gives the risk appetite for all the above classes of risks.

Risk Category	Tolerance
Strategic	Medium
Political	Medium
Operational	Medium
Legal	Low
Legal	Low
Societal	Very low
Reputational	Very Low
Reputational	Very Low

X. Risk Communication

A key success factor for the implementation of a risk management approach is to ensure that staff and stakeholders are aware of its results but also of its content and are aware of the risks that the partnership faces, their nature and approach towards them.

The Secretariat will develop tools and processes to ensure that staff members are aware and understand the approach taken by STBP to identify and manage the risks it faces. For instance, incoming staff will be oriented to the Enterprise Risk Management (ERM) in place at STBP. The rotation on the Risk Committee has already been mentioned.

The risk register established by the Partnership will be the primary tool for capturing the various risks the Partnership faces, their consequences along with the mitigating actions that the partnership is taking with respect to these risks.

Reporting is a critical element in risk management processes. This reporting to the Executive Director will be through a formal risk report based semi-annually based on Partnership's Risk Register and once a year to the Board.

The Register would be an online tool that would facilitate the review of the risks and the status of implementation of the mitigating actions. The Risk Register will be updated at least on a semi-annual basis. This revision will be led by the Risk Committee and approved by the Executive Director. The register will be kept and maintained by the Office of the Deputy Executive Director. The respective heads of functional units will have access to their portion of the risk.

Top risks identified will be reviewed by the Executive Committee in consultation with the Finance Committee for financial risks at least once annually and reported to the Coordinating Board.

XI. Quality Control

The Executive Committee will exercise oversight of risk management activities as will the Executive Director. The Risk Committee will carry the brunt of the monitoring burden, ensuring that risks are properly analysed and inventoried, that implementation of treatment is timely and appropriate and that lessons learned trigger modifications of existing policies or practices.

The soundness of the risk management approach and the quality of its practice are assessed by the Internal Audit office of UNOPS in Copenhagen operating under the UN Board of Auditors. It serves as STBP's Internal Auditor. This would be augmented by Independent External Evaluations of the STB or its components.

STBP will adopt a 3-line of defence model for ensuring that risk in STBP is managed carefully.

1st Line: team leaders managing the Area of Work where the risk resides

2nd Line: Risk Committee of STBP, Executive Director, Executive and Finance Committees

3rd Line: Internal Audit Department of UNOPS

XII. Risk Governance

Refers to the actions, processes, traditions and institutions by which authority with respect to risk management is exercised and collective decisions are taken and implemented.

As a higher level concept, risk governance covers transparency, effectiveness and efficiency, accountability, strategic focus, sustainability, and the need for selected actions to be politically and legally feasible as well as ethically and publicly acceptable.

Key governance actions are:

- Ensuring suitable arrangements are made to provide risk assurance to key stakeholders.
- Establish adequate procedures for management of existing and emerging risks.

XIII. Resource Allocation for Risk Management activities

STBP is committed to devote the appropriate level of resources to ensure that risk management is robustly in place at all levels of the organization. Most of those resources would be made up of staff time however processes would be streamlined greatly with the introduction of electronic tools and systems which would represent an additional cost. The time of the internal auditors or external consultants also represents an explicit cost. Other resources may also need to be allocated to this management practice e.g. cross-functional meetings, special software for facilitating risk management.

XIV. Advantages and disadvantages of managing risk

Advantages:

- Project problems can be reduced significantly by using risk analysis.
- More information becomes available during design of projects/programmes and for planning their implementation.
- Improved chances of success and higher probability of realizing STBP Strategic Goal.

Disadvantages

- Inculcation of a false sense of security in that having a risk management system may lead to the erroneous belief that all risks have been accounted for. This will be countered by the STBP management being cognisant of emerging developments in all programme areas of the Partnership and factoring the information available into the risk management process.
- Projects capable of having an impact may be cut due to the perceived risk level.

XV. Systems and Tools used (Risk Register)

The key tool for recoding risks, their likelihood and impact and severity will be a Risk register. This register will describe the risk character each identified risk identified and record the mitigating actions and risk owner details. This will be prepared by the individual functional teams and compiled as a partnership wide risk register by the risk committee and updated every six months and will be the principal tool used by STBP to manage its risks. A summary report on major risks will be shared the Executive Committee for briefing the Board.