

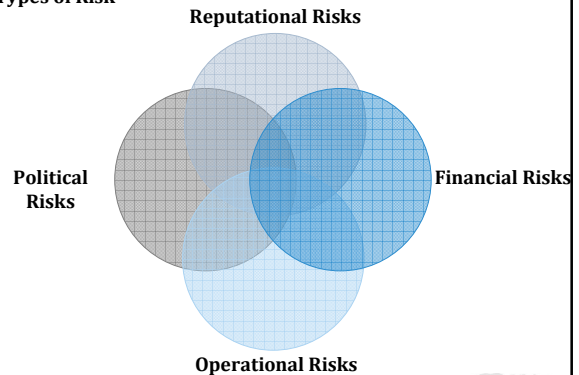
## Risk Management A Framework for the Partnership

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Washington DC, 31 March - 1 April 2011



## Types of Risk



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## Areas Vulnerable to Risk in TBP

	Volume	Size	Complexity	Partners
GDP	467 orders placed in 2010	Value of orders placed in 2010 US\$ 131 million	HIGH	Recipient scores of countries, 2 Procurement Agents, 2 freight forwarder, 2 QA, >15 manufacturers
TBReach	30 grants awarded in 2010; up to 40 expected in 2011	Wave one comprising US\$ 18 million Wave two with an upper limit of US\$ 37 million a Total of US\$ 55M	HIGH	90 grantees, Independent selection committee
Challenge Facility for Civil Society	~90 grants awarded since inception; approx. 20 per year.	Grant size up to US\$ 20K; each round approx. 400K	HIGH	70 projected grantees, Proposal Review Committee, Programme Steering Group, M&E Agent
Finance and Administration	More than 20,000 financial transactions each year	Inclusive of all of the above, plus Secretariat activities unrelated to the 3 initiatives, as well as funding for partners	Low to HIGH	Inclusive of all of the above, as well as all other contractual partners

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## Risk Management - Some examples of potential risks for TBP

- Stock out of life saving drugs
- Payments crossing fiduciary boundaries
- Destruction of medicines
- Low Quality drugs finding their way to market
- TBREACH Grants misapplied and misdirected
- CFCS grants not used for intended purpose
- Errors in financial postings and payments
- Web based fundraising

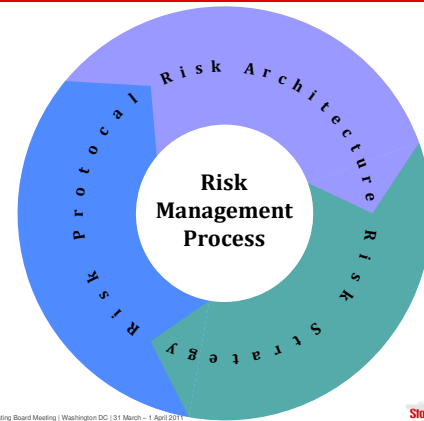
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## Risk Management Framework -- Main Elements

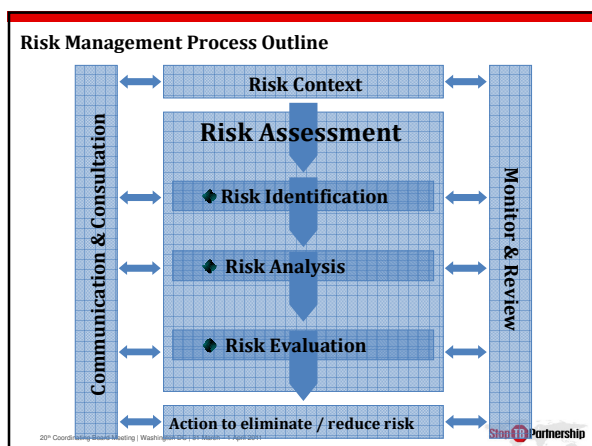


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### Risk Management – Next Steps & Decision Point

In order to carry the project forward, the Secretariat will undertake the following next steps:

- Develop terms of reference
- Launch Bids
- Select Service Provider
- Implement the project
- Estimated Budget Implication US\$ 250,000 – 300,000

*The Coordinating Board is requested to:*

- Take note of the progress made
- Endorse the outline and principles that will guide the development of the risk management framework and system
- Approve the budget

• Expected Source (s) of funding: Available in the work plan under Budget items for Finance and Administration and the Global Drug Facility

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### Back Up

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### Chain of Causality and some major operational risk events

Event	Year	Cause	Consequence
Chernobyl nuclear reactor disaster	1986	Dangerous design of reactor and control rods; unauthorized changes to procedures; inadequate safety culture	Sever release of radioactivity (4x Hiroshima bomb) across Russia and Europe; evaluation and resettlement of 336,000 people; 4000 additional deaths and long term adverse health consequences for millions
Collapse of Maxwell Communications	1991	Overly dominant Chief, complexity and lack of transparency in organization; lack of internal controls; failure to act on warning signals; inadequate auditing, fraud	Hundreds of millions of pounds stolen from employees pension funds of Maxwell Companies
Foot and mouth crisis	2001	Illegal meat imports; failure to comply with regulations by one farmer; failure to appreciate changes in patterns of movements of animals in UK	4 million sheep and cattle slaughtered; worldwide ban on exports of British livestock and meat; UK tourism losses of £8-9 billion in 2001; £3 billion cost in tax losses and compensation paid by Govt
Hurricane Katrina	2005	Failure to maintain levees as contingency against a potentially severe hurricane allowed water from Lake Pontchartrain to flow into New Orleans	Over 1800 deaths; 80% of New Orleans flooded; damage estimated at US\$ 100 billion
GDF drug orders placed outside system	2005	Large order placed outside accepted GDF system	Potential loss of US\$ 4 to 5 million; money recovered after 4 years of struggle
Shortage of key anti-TB drug	2009	Communication breakdown with respect to quality policy for first line drugs; lack of internal control	Countries faced risk of stock outs; high price paid for rush supplies; high costs incurred in transportation

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