The Development Fund's

Risk Policy

The Development Fund

Fighting hunger and poverty

1. Introduction

The Development Fund manages and transfers significant funds from donors for implementation of projects and programs by local partners in high-risk environments in developing countries. The partners can vary from strong and somewhat weaker civil society organisations from local to national level. This context requires both the attention by DF staff to the risks it implies to the goals we aim to achieve, and a proved methodology to maximise risk management capability and minimize risk in operations. This Risk Policy and annexes provides a policy and guidelines on how risk management is to be practiced in the organisation. This document may be updated based on DF experiences and learning, but significant changes has to be approved by the DF Executive Director.

2. Definition of risk management

A process for systematically identifying, analysing, assessing, handling and monitoring risk with a view to ensuring that any risk of not achieving the objective is within an accepted level.

3. Purpose of DF risk management policy

The purpose of the risk management policy is to provide guidance regarding the management of risk to support the achievement of our objectives, ensure the security of our staff and assets, and ensure organizational and operational sustainability.

4. Scope of DF risk management policy

This policy applies to all working process in DF. It forms part of DFs governance framework and applies to all employees. DF will actively work to increase partners' capacity in risk management and will consider this to be a requirement in the future.

5. Purpose of DF risk management

- Do informed risk taking by scrutinizing, challenging and testing our own and partners experience, insight and ability to reach goals in given contexts
- Strengthen the organisation and its work through a better understanding, prediction, avoidance and mitigation of the risks we and our partners face in complex and changing contexts
- Improve the chances of reaching defined goals of the organisation and get better results by increasing the quality of management, planning, implementation and monitoring
- Meet the legitimate expectation of good risk management practice and requirement by donors and partners

Risk management is one of seven criteria when Norad assesses organisations capacity to take on multiyear proposals (RAM)

Standard 5: Assessment of risk and cross-cutting issues in the initiative
The applicant identifies and systematically analyses relevant risks that can hinder results achievement in the initiative, and potential negative effects on the broader community and surroundings, including the cross-cutting issues 1) human rights, 2) climate and the environment, 3) women's rights and gender equality and 4) anticorruption. Importance will be attached to the fact that the applicant has assessed the probability and consequences of risk factors and planned effective risk reduction measures.

6. Risk Governance in DF

Who	Resposibility
Board	Provides policy, oversight and review of risk management
Executive Director	Drives a culture of risk management and leads reviews of overall risks
Heads of Departments Oslo	Ensure staff in their units comply with the DF risk management policy and foster a culture where risks can be identified and managed effectively
Cross cutting teams	Continuously improving risk management practice frameworks in their areas
Country representatives	Ensure that staff in their country offices comply with the DF risk management policy and foster a culture where risks can be identified and managed effectively
Country Office Heads of Departments	• Ensure that staff in their unit comply with the DF risk management policy and foster a culture where risks can be identified and managed effectively. • Ensure that partners are aware of DF's risk management policy, and that risk management is an integrated part of projects and programs supported by DF
Country coordinators	Ensure that partners are aware of DF risk management policy, and that risk management is an integrated part of projects and programs supported by DF
Staff	Comply with risk management policies and procedures

7. Process for Risk Management in DF

Practicing risk management in DF requires the following steps:
- **Define** the context relevant for risk management
- **Identify** as early as possible in planning and implementation processes the relevant obstacles (risks) both internally and externally to reaching defined goals
- **Analyse** the risks both the level of threat they represent regarding likelihood and impact
- **Assess** the risks and decide what degree of risk can be tolerated
- Identify how to **handle and monitor** the risks, both how to avoid risks and how to mitigate for these risks if they occur
- Define **who** is responsible for handling and reviewing the risks

See *Annex 1 Risk management in three phases/ five stages* for more information.

8. How is Risk Management integrated in DF

- Risk management is integrated as a cross-cutting methodology applied to all significant processes in the organisations, be it management of programs, finance, fundraising, human resources, communications etc.
- Risk management is a tool to be known and used by staff in development of concepts, planning, monitoring and implementation phases of projects and processes

See *Annex 2 Risk understanding and practice in DF* for more information

9. Risk categories

- All-though all risk-analysis should be context specific, there are some categories of internal and external risk factors that can be used to identify specific risks in processes or projects.
- The risks may vary some for the technical area of the project or process be it program, finance, communications, fundraising, organisational development etc.
- Norad has defined four required standard risk categories: human-rights, environment, anti-corruption and gender

See *Annex 3 Standard DF categories for internal risks and external risks* for more information

10. Risk register

- All risks are registered in the DF Risk Management matrix (Annex 4) from the start of the planning process
- Risks that have been avoided due to adjustments in the design or have been assessed to be insignificant, should not be included in the matrix
- Risks that change and become insignificant during implementation should be removed from the matrix

- New risks identified during implementation must be included in the matrix

11. Risk reporting

- On a regular basis the risks must be reported on, depending somewhat on what type of process or project/program
- The Management team should review overall risks on a quarterly basis and should include an assessment of risk management performance. It reports risk status on a quarterly basis to the Board in a simplified risk matrix with selected relevant risks.
- Risk reporting should be part of the overall progress monitoring at program and project level if a different approach is not defined
- The roles identified to monitor and report on each risk must provide the reporting correspondingly
- Risk reporting must be in line with the risk governance set-up

Annex 1: Risk management in three phases/ five stages

Phase	Stage	Description
A Identifying risk	1. Identifying risk	*Identifying* the possible factors or events that *may* negatively impact on the achievement of objectives. The consequence is to be described.
B. Analysing + assessing risk	2. Analysing risk	*Assessing* the likelihood of a factor or event occurring and the degree of the consequence in the event of its occurring.
	3. Assessing risk	*Deciding* the degree of risk that can be tolerated, whether the risk can be accepted or mitigated, whether it should be avoided or whether it may be shared with others.
C. Handling + monitoring risk	4. Handle risk	*Deciding how* risks are to be handled and monitored. Planning measures to reduce the probability of a risk occuring and/or reducing the negative consequences should the risk occur.
	5. Monitoring risk	Implementing the measures and monitoring that they have the desired effect. Should new risks occur, implementing the risk management process in relation to these too.

Annex 2: Risk understanding and practice in DF

This annex deals with the following questions:

1. What is a risk?
2. How to identify a risk?
3. When and how to identify a risk?

1. What is a risk?

- Potential or real conditions, situations or events that can negatively influence the chance of reaching objectives and goals
- External conditions – the context in which we aim to reach objectives
  - Political, social, economic, cultural
  - Outside the control of the project (thus requiring mitigation)
  - Example: local political unrest, cultural resistance to change etc.
- Internal conditions – within the implementing organisations
  - Project design, staffing, finance, management
  - Within the control of the organisation (by design/management)
  - Example: high staff turnover, poor planning, week partnerships etc.

2. How to identify risks?

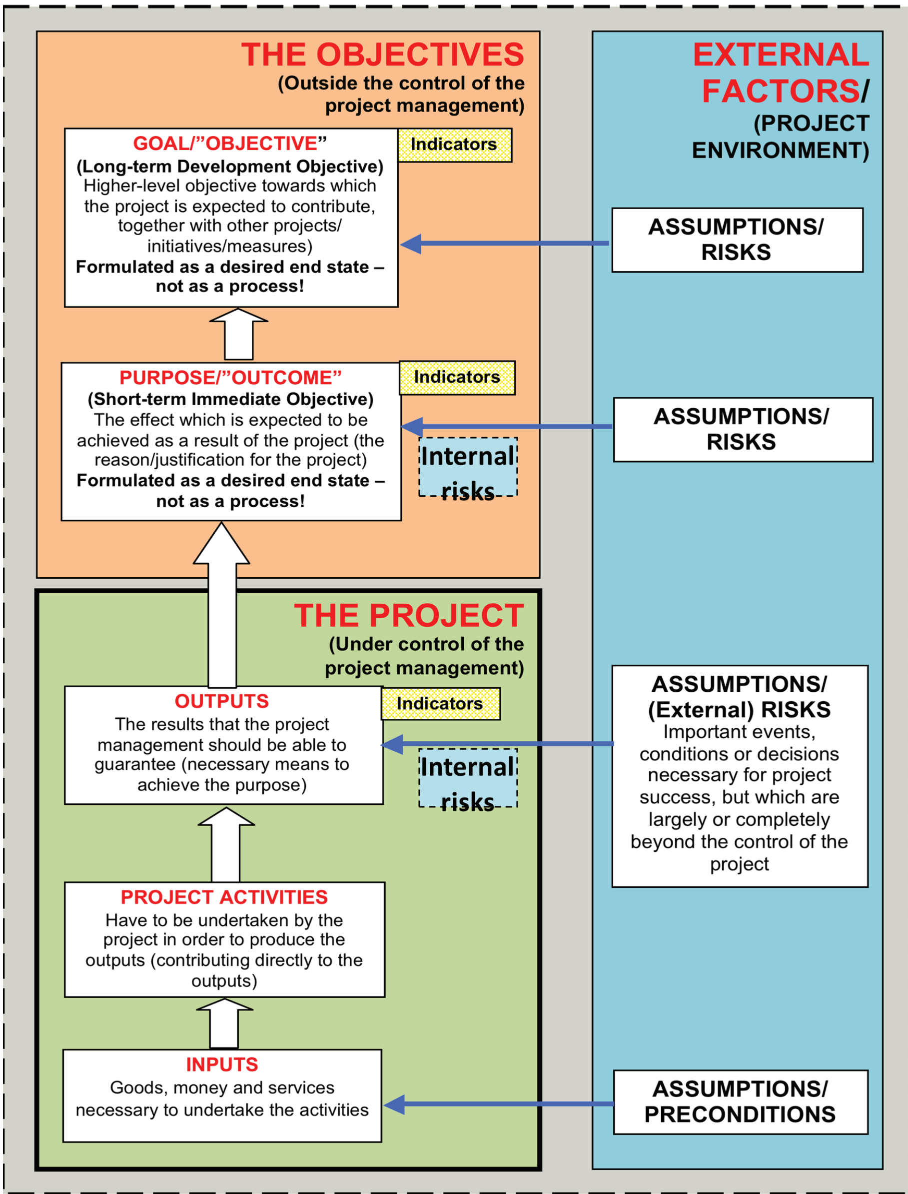
- Risks are identified if one has
  - Enough knowledge of the context (s.a. society) in which the objectives of projects and programs are to be reached
  - Solid knowledge of relevant management, planning and implementation processes required to reach the objectives
  - The ability to combine contextual insight with the nature of the specific process
- Risk-management is a unique exercise for each process
- Identifying risks is positive – even when risks are high
- The main question is: what is our risk tolerance/appetite?

3. When and how to identify risks?

- Risk identification must start during planning phase
  - Use the risk-matrix to fill in risks as they are identified
  - 7-12 top priority risks is normal – mostly external
  - Many more can be identified, but the number is reduced to the most important ones as they are prioritised and less acute ones are eliminated
  - Risks should be ranged (consequence x probability) to provide an immediate idea of level of risk and where to focus
  - Those responsible to follow up the risks must be identified
- Design and describe in the matrix the measures to avoid/ minimize occurence of risks and how to deal with them if they occur
- Write up a risk narrative with full project proposal
- Include monitoring of risks during implementation using the risk matrix and make risks reporting part of overall reporting
- Actively review and identified new risks along with overall plans

Risk Management - Project Methodology

- Risk management has been an integrated part of traditional project management for decades – s.a. Results Based Management
- All too often the identification and analysis of assumptions and risks in development efforts are not done propely. Often risks are addressed at the end of a planning process and listed from a standard set of risks to meet donor requirements. Usually this is done as a result of lack of understanding of the benefits of risk management and time-constraints.
- If done right, risks management will increase the quality of projects and processes, and can greatly reduce the resources needed to deal with risk during implementation that could have been prevented.



Annex 3: Standard DF categories for internal risks and external risks

Standard DF categories for internal risks and examples

Strategic	Financial	People/ethical	Operational	Information
Strategic priorities are not aligned with donors' interests	Poor financial control routines	High turnover of staff	Poor program or planning process	Data breach/loss
Strategic priorities are not in line partners priorities	Poor program-finance coordination	Inappropriate management	Weak technical support process in field	Digital risks
Strategic priorities are not in line with host government priorities	Not able to raise own-share	Unethical behaviour	Weak technical guidance from Oslo	
	Low implementation rate = low admin-cut	Inadequate duty to care (for partners)	Weak competence/ capacity of staff	
	Fundraising run does not result	Inadequate considerations on «do no harm»	Funding/financial constraints	
			Access constraits	

Standard categories for external risks and examples

Contextual	Safety/security	Relational	Reputational	Legal/ compliance
Political unrest due to elections	Assault/robbery (high crime)	High staff turnover of partners	Lack of crisis management capacity	Violating national laws
Ethnic conflicts	Violence	Weak management of partners	Lack of risk prevention	Violating international laws (s.a. anti-terror)
Military coup	Armed conflict	Weak capacity of partners		

Roads/bridges out of function		Risk transfer to overburdened partners			
	Disease/illness in area	Willing to fund only part of activity			
	High risk transport (airlines etc)	Lack of local stakeholder ownership			
	Natural disasters	Lack of lokal target group participation			

Norad risk categories

Human Rights	Environmental	Fiduciary (corruption, theft etc)	Gender
Intervention in breach with minority rights	Intervention causes harmful local pollution	Funds embezzled	Discrimination against women or men
Intervention in breach with local population rights	Intervention causes harmful international pollution	Nepotism	Discrimination against sexual minorities
Partners are breaking human rights	Intervention is harmful to local biodiversity	Corrupt practices	
	Intervention is harmful to local ecosystem	Misuse of resources	
	Natural resource mismanagement	Funds mismanagement	

Annex 4: DF Risk management plan matrix

Risk no.	Risk	Impact (effect if risk were to occure) (score 1-5)	Likelihood of occurrence (score 1-5)	Ranking (Imp x Likelyh.) (score= red/ amber/ green)	How to avoid occurrence	Mitigation action	Action owner (person/ unit appointed to monitor the risk)
1							
2							
3							
4							
5							
6							
7							