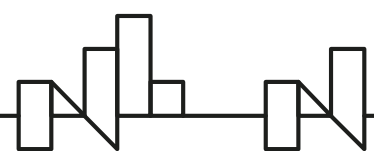
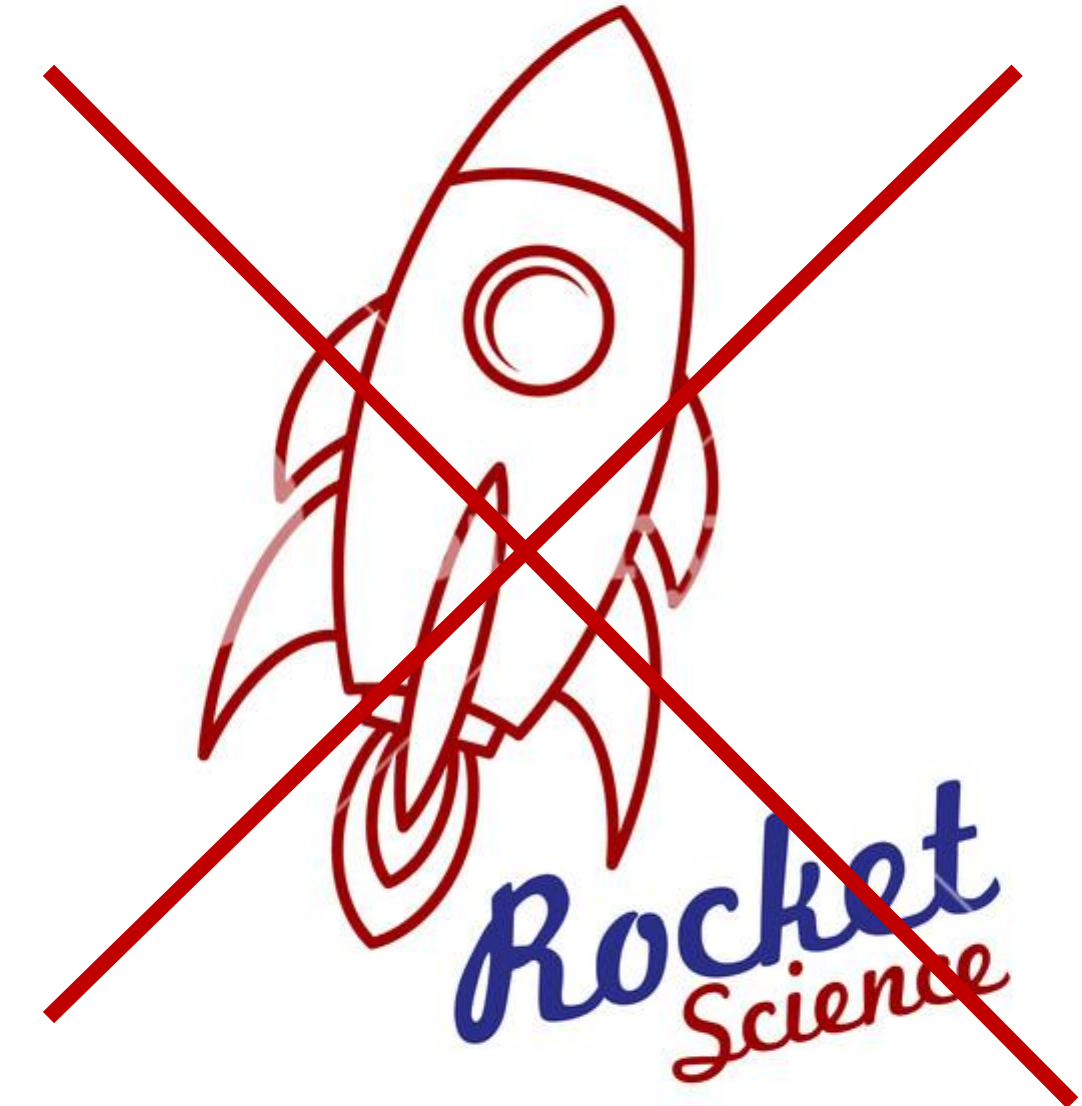


Risk management

Learning objectives

- Why risk management is important in managing the EEA Grants
- The risk assessment process – **It's not rocket science**
- Actions that can be taken to address risks

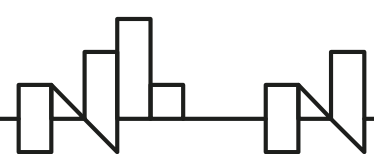


Risk

Risk is “an event or circumstance that may affect the achievement of expected results.”

Risks are inevitable. The aim is not to eliminate risk altogether...

... but to **understand risk and manage it** more effectively with results and performance in mind.



Managing risk for results

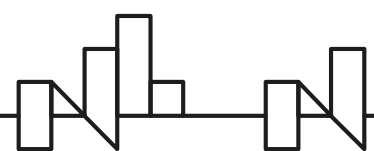
Reducing disparities



**Strengthening
bilateral relations**

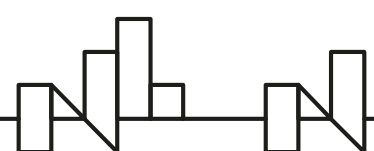


**Effective and efficient
implementation**



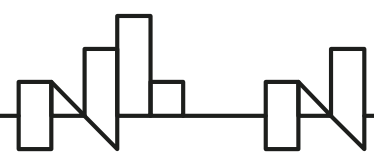
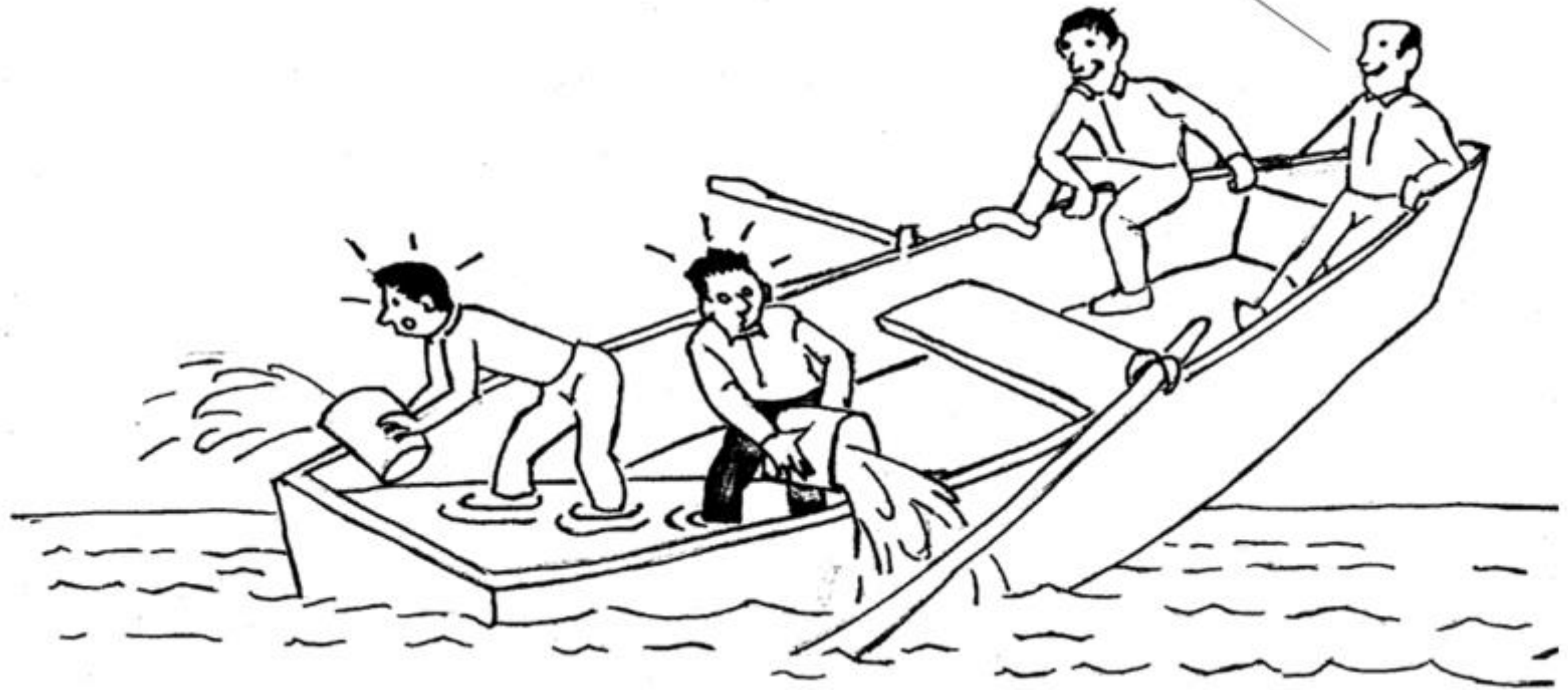
Principles of risk management in the Grants

- Risk management should be **continuous, proactive** and **systematic**
- The process should be embedded in the **organisational culture**
- All programmes and initiatives shall follow the principles of **good governance**
- There shall be **zero-tolerance towards corruption.**



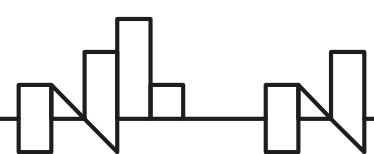
Working together

Sure glad the hole isn't at our end.



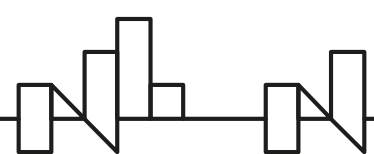
Programme/Fund Operators – main responsibilities

- a) Develop a risk assessment and mitigation plan – PA phase
- b) Assign “ownership” to risks
- c) Discuss risk regularly
- d) Report in the Annual Programme Report and update annually
- e) Ensure good governance in selection procedure, procurement, etc.
- f) Conduct annual monitoring of a sample of projects based on risk

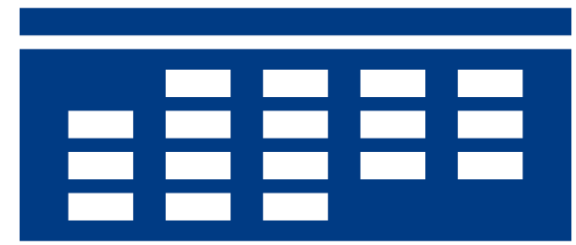


Communicate on risks - when and where?

- Before Programme Agreement Signature (PO/FO)
- In each Annual Programme Report; Include **DPPs/IPOs** in the process. (PO/FO)
- In each Strategic Report (NFP)
- At Annual Meetings (NFP)
- At good governance seminars (NFP, PO/FO)
- At Cooperation Committee Meetings (PO)
- At technical meetings (PO); Phone discussions with FMO (NFP, PO); at JCBF meetings (NFP)



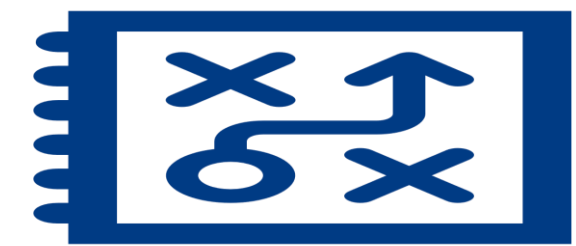
How to assess programme risk – PO/FO



Step 1: Have a copy of the results framework available



Step 2: Analyse it outcome by outcome



Step 3: Fill in the risk template



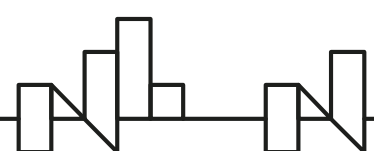
Step 4: Assess likelihood and consequence of occurrence



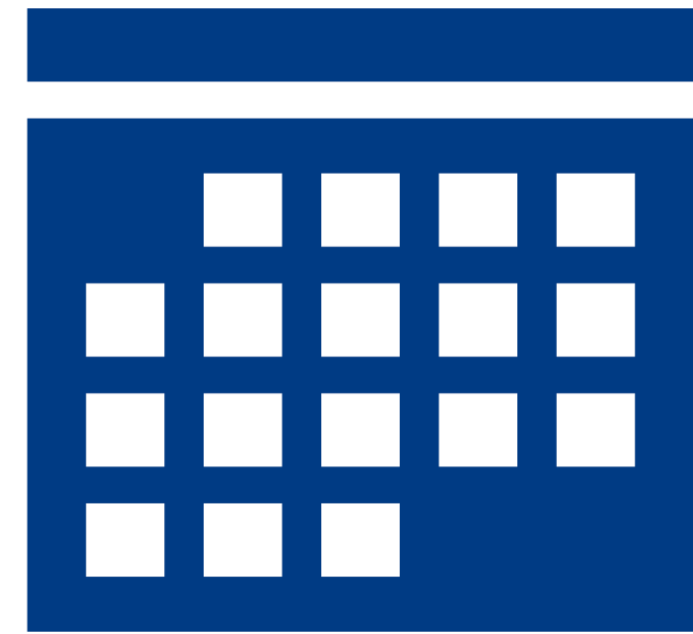
Step 5: Define response for each risk



Step 6: Judge the overall programme risk



How to assess risk – step-by-step

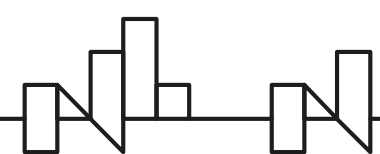


Step 1: Have a copy of the results framework

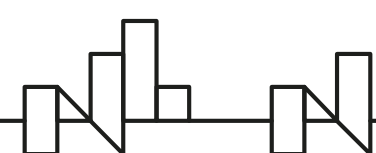


Step 2: Analyse it outcome by outcome

- What are the risks to delivering outputs?
- What are the risks to prevent the outputs from having desired effects (outcomes)?

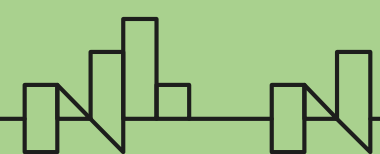


PA	Number	Expected programme results	Indicator	Unit of measurement	Source of verification	Frequency of reporting	Baseline value	Baseline year	Target value
PA11	Outcome 1	Increased application of circular economy principles in targeted sectors	Construction and demolition waste avoided by the supported sectors	Percentage	APA data	Annually (APR)	48.6%	2017	70.0%
			Number of jobs created (disaggregated by gender, age)	Number	Payroll records, employment agreements	Annually (APR)	0	N/A	25
			Tonnes of plastic recycled through all supported schemes/measures	Number	Project promoter's records	Annually (APR)	0	N/A	20000
			Use of secondary materials increased in the supported sectors	Percentage	Project promoter's records	Annually (APR)	0.0%	N/A	15.0%
	Output 1.1	Deposit-refund system for beverage plastic bottles (and cans) piloted	Number of beverage industry organisations participating in the deposit-refund system	Number	Project promoter's records	Semi-annually	0	N/A	2
			Number of retailers participating in the deposit-refund system ¹	Number	Project promoter's records	Semi-annually	0	N/A	25
	Output 1.2	Strengthened framework for the management of plastic packing including a deposit-refund system for plastic bottles	Regulation governing the deposit-refund system developed	Binary	Project promoter's records	Semi-annually	No	N/A	Yes

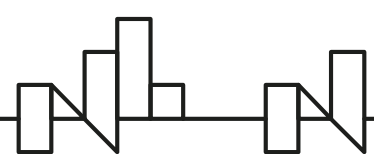


Identifying risks

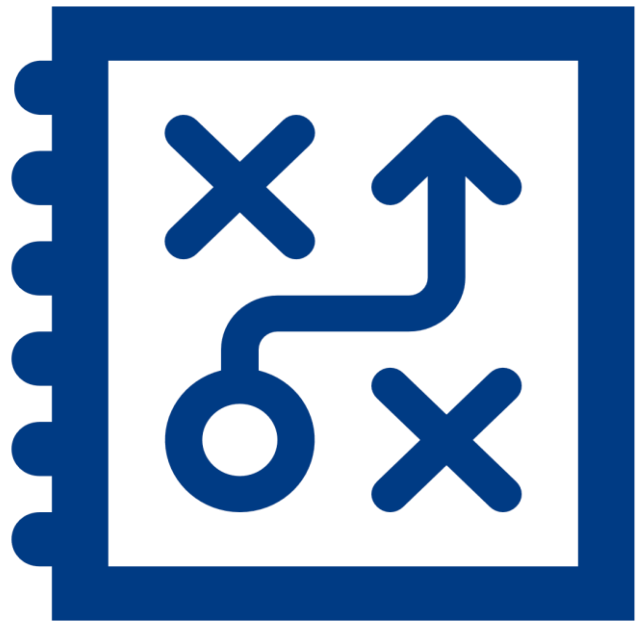
- Discussion - do it as a group!
- It requires judgement – sometimes a ‘best guess’.
- Background information can help, such as:
 - *Result frameworks and progress toward results;*
 - *Previous risk assessment;*
 - *Monitoring or evaluation reports;*
 - *Annual report by the Audit Authority;*
 - *Quarterly irregularities reports; and*
 - *Interim financial reports*
 - *Project level information*



What are the **main**
risks in your
programme?



How to assess risk – step-by-step



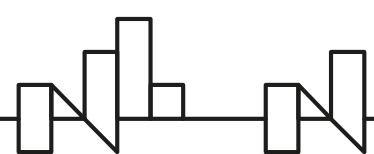
Step 3: Fill in the risk template

- Type in identified risks
- List each risk on a separate line in the template. Be concrete



Step 4: Assess each risk

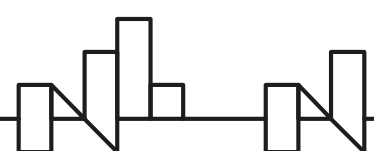
- Assess the likelihood and consequence of each risk



Assessing risk

- Risk assessment requires **background information** and **judgement**
- It involves assessing the **likelihood** and **consequence** of a risk occurring

Criteria	1	2	3	4
Likelihood of occurrence	Very unlikely	Unlikely	Likely	Almost certain
Consequence for programme outcomes	Minimal	Moderate	Serious	Very serious



Risk assessment (Annex 4)

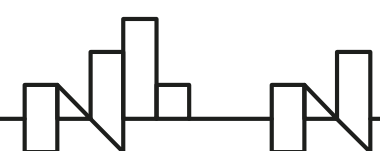
GRACE

Grants
Administration
and Collaboration
Environment

Annex 4: Risk management

Edit

Programmatic risks						
Risk description	Risk related to	Likelihood	Consequence	Risk score	Response type	Risk N/A?
Low interest in bilateral project	Strengthening bilateral relations	3	4	3.46	Mitigate	No
	Description of planned response	test				
Second programmatic risk	Reducing social and economic disparities	2	2	2.00	Mitigate	No
	Description of planned response	test3				
Operational risks						
Risk description	Risk related to	Likelihood	Consequence	Risk score	Response type	Risk N/A?
Staff turnover at PO	Both objectives	3	1	1.73	Accept	No
	Description of planned response	test2				
Overall risk of the programme						
		Likelihood	Consequence	Risk score		
OVERALL RISK OF THE PROGRAMME		2	2	2.00		



Risk assessment (Annex 4)

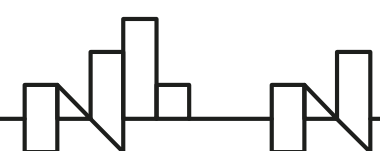
GRACE

Grants
Administration
and Collaboration
Environment

Annex 4: Risk management

Programmatic risks							
Risk description	Risk related to	Likelihood	Consequence	Risk score	Response type	Risk N/A?	
Risk 1	Strengthening bilateral relations	3	4	3.46	Transfer/Share	<input type="checkbox"/>	
	Description of planned response	Response	Prefilled from second APR				
	Description of actual response						
	Planned future response						
Risk 2	Reducing social and economic disparities	1	1	1.00	Mitigate	<input type="checkbox"/>	
	Description of planned response	Response					
	Description of actual response						
	Planned future response						

Add new

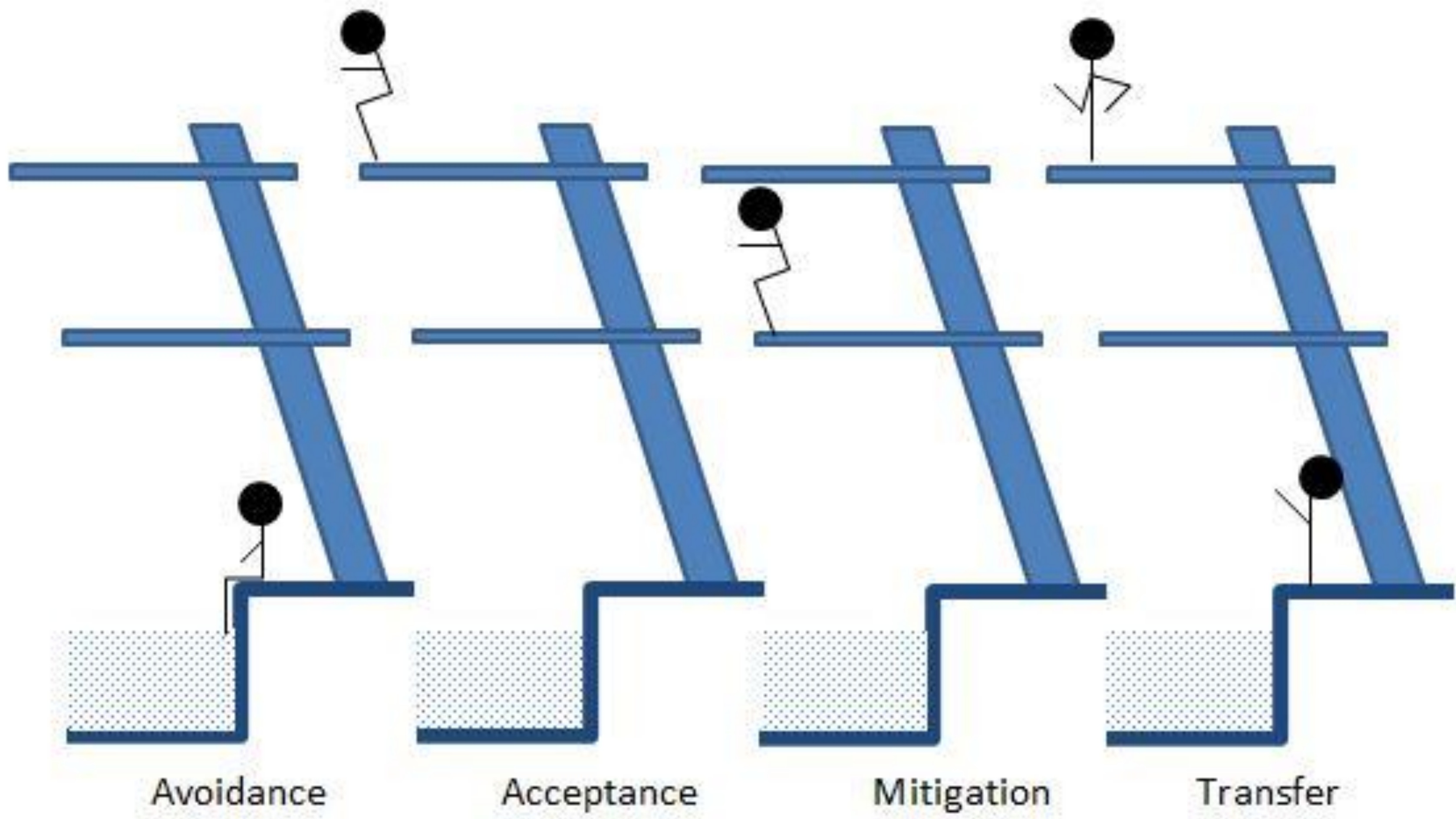


Conducting the risk assessment cont.



Step 5: Define the risk response

- For each risk, define the response:
 - a. transfer/share;
 - b. accept;
 - c. avoid/terminate;
 - d. mitigate



Avoidance

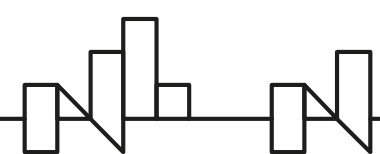
Acceptance

Mitigation

Transfer

Strategies for dealing with risk

R. Jaffe



Conducting the risk assessment cont.



Step 6: Judge the overall programme risk

- Manually score the overall risk of the programme

Risk assessment (Annex 4)

GRACE

Grants
Administration
and Collaboration
Environment

Annex 4: Risk management

Edit

Programmatic risks

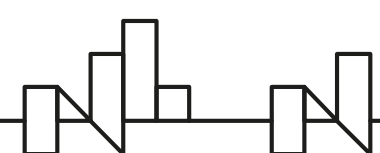
Risk description	Risk related to	Likelihood	Consequence	Risk score	Response type	Risk N/A?
Low interest in bilateral project	Strengthening bilateral relations	3	4	3.46	Mitigate	No
	Description of planned response	test				
Second programmatic risk	Reducing social and economic disparities	2	2	2.00	Mitigate	No
	Description of planned response	test3				

Operational risks

Risk description	Risk related to	Likelihood	Consequence	Risk score	Response type	Risk N/A?
Staff turnover at PO	Both objectives	3	1	1.73	Accept	No
	Description of planned response	test2				

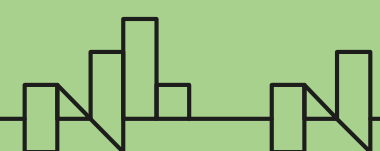
Overall risk of the programme

	Likelihood	Consequence	Risk score
OVERALL RISK OF THE PROGRAMME	2	2	2.00

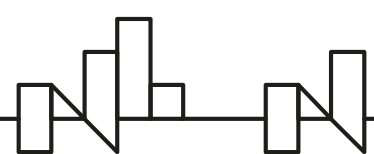


Some common mitigating actions

- Increase attention to monitoring risks → consider site visits;
- If risk of fraud or corruption, consider audit or integrity due diligence;
- Provide support, such as: training, technical advice, DPP assistance;
- Make necessary adjustments to the programme;
- Strengthen project selection procedures, starting with the quality of call text



Which main mitigating actions do you foresee for your programme risks?

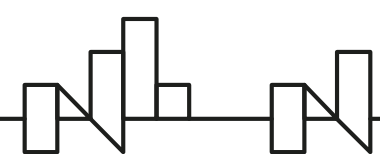


Monitoring risk

During implementation, take a systematic, proactive approach, continuous:

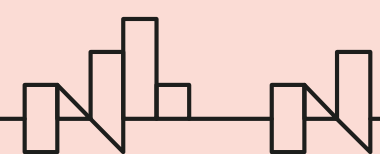
For example

- Incorporate mitigating measures into work plans
- Assign staff to mitigate risks
- Monitor progress of mitigating measures
- Identify any new risks



Tips for the risk assessment process

- Keep in mind: **manage risks to results**
- **Discuss** risks with colleagues and partners
- Focus on the risks within next **one year**
- Do it **regularly** enough to be of value



Be proportionate; risk management should help achieve results, not hinder them

