Risk Assessment & Management

25 May 2020 (updated)
Tynset, Norway

TOF NORWAY

Introduction

This Risk Assessment and Management Document explains the procedures and methodology for assessing risk and it's management based on the risk management spreadsheet designed specifically for this purpose.

The Risk Assessment sets up a framework for decision-making with respect to Risks. This provides a tool to assign risk levels to various policies/guidelines and operational tools that a project or prospective partner/client may have. Based on the overall risk percentage, quantitative and informed decisions can be made with respect to actions and/or mitigation plans that may be required. The worst-case scenario may result in not going forward with a project or associating with a prospective partner.

Risk Management

Based on each project design and proposed theory of change, TOF systematically creates a system that gathers information on how a project (program or policy intervention) is progressing – based on each project design and proposed theory of change. The project results monitoring framework is a key element for this system.

At the project level, TOF experts identify and formulate in clear measurable terms the expected results or intended effects to be achieved, looking at the political, social, environmental and economic factors that can influence their fulfilment. If a results framework is already developed than it is reviewed and verified with the project proposal/design. A results chain is developed which sets out the cause-and-effect sequence: from resources, through activities, towards achieving the desired change or result.

A monitoring system is also established to track progress towards the expected change, as well as an evaluation system to explain these progresses. Baselines describe the situation prior to a development intervention, and combined with targets and indicators (quantifiable, where feasible) factors to measure change) they help assess whether performance is on or off track - through monitoring - and reasons for this - through evaluation.

The results information produced from such a system is synthesized in a results framework and then used for internal management or external reporting

For this project and using a results-based approach for management, the Results Framework (RF) to be employed by all Partners will be key tool. TOF will with partners elaborate further sub-outputs and specific related indicators which will be prepared in spreadsheets by TOF statistical and IT expert. A common system for reporting will be set-up and capacity built across partners to be able to measure performance. A common data base will be established for mega-analyses and comparison across sites and nations.

Using a results-based management approach, a set of criteria will be used for project-refined performance indicator selection. These criteria focus on the following:

- Validity: does the indicator measure the intended result?
- Reliability: will the indicator allow for results to be measured and produce the same data if it is applied repeatedly over time?
- Representativeness: will the indicator represent a required amplitude of the expected results?
- Sensitivity: will the indicator be sensitive to changes in the result, both positive and negative?
- Utility: Does the indicator meet the needs of its audience? Will it provide timely information so as to allow it to be useful for investment management (decision making, learning and adjustment)?
- Adaptability: will the indicator be possible to adapt to changes, open to flexible adaptation pathways?
- Affordability: are resources available to collect information to measure this indicator and will spending these resources will allow the best possible measurement of the result?

In this project, in the first quarter, to facilitate the detailed definition of indicators, TOF will develop an explicit results chain, introducing the notion of immediate and intermediate outcomes – intermediate outcomes being realistically achievable by the end of a project. Developing the detailed outcomes will be done jointly with partners in proposed 'common partner meetings'.

TOF is also aware of the importance of exploring complexity-aware monitoring methods. These methods aim to synchronize monitoring with the pace of change; develop a systemic approach; and address three common blind spots in monitoring: emergent outcomes, alternative causes, multiple and non-linear pathways of contribution.

Keeping the above in mind the tab "Project Risk" is designed (in the spreadsheet) to add, track and assign risk level to each activity with the engaged project. Risk levels are used to evaluate the overall risk factors for External Environment related, Organization and Project-Business related Risks. Based on the risk levels, mitigation plans and/or action will be formulated, placed and executed to ensure that the overall project stays on course to achieve the desired goals.

▪ Risk Assessment Procedures

The Risk Assessment on behalf of the TOF shall be based on the criterion set out below. The risks are broadly categorized under two aspects: A. External Environment and B. Organizational and Project-Based Risks. The latter is divided into 3 subcategories: strategic, operational and common risks. The lists can be expanded if other risks are identified. When proposals from prospective partners or clients are received the organization/institution risks are always assessed, in addition to specific project based risks.

A. External Environment

- External Risks
- Political Stability
- Economic Trends
- Attack from Outside
- Natural Disasters
- War in or between neighboring nations
- Drugs, Arms and Human Trafficking activity
- Others – additional items added as needed

B. Organization and Project-Based Risks (risks as listed in the spreadsheet)

I. Strategic Risks
Management and Routines
Risks related to policies and strategies
Work-business-organization environment, code of conduct
Organization governance - codes of conduct
Organization governance - codes of conduct
Partnering and withdrawal
IT and communications infrastructure & support
Others – additional items added as needed

II. Operational Risks
Internal due diligence
Accounting
Quality, cost and deadlines for all aspects of assignments and purchase, orders and services
External due diligence (including audits)
Past routines
Others – additional items added as needed

III. Common Risks
Corruption/Elite capture (indicative or actual)
Information and disclosure systems, degree of transparency
Compliance - due diligence (environmental, social and health)

- Human rights and labor practice, gender
- Environmental liability /pollution /damage
- Local population displacement
- Livelihood impacts and vulnerability
- IP rights and culture
- Impact to local fauna and species
- Landscape visual impacts
- Others – additional items added as needed

Picture of spreadsheet with risks aspects

External Environment			Organization and Project-Business Risks									
Environment			**Risks Related to Organization/Business Activities**									
External Risks [ER]	HID	LVL	**Strategic Risks [SR]**	HID	LVL	**Operational Risks [OR]**	HID	LVL	**Common Risks [CR]**	HID	LVL
1	Political Stability	1	L	Management and Routines	1	L	Internal due diligence	1	L	Corruption/Elite capture (indicative or actual)	1	L
2	Economic trends	2	M	Risks related to policies and strategies	2	M	Accounting	1	L	Information and disclosure systems, degree of transparency	1	L
3	Attacks from outside	2	M	Work-business-organization environment, code of conduct	1	L	Quality, cost and deadlines for all aspects of assignments and purchase, orders and services	1	L	Compliance - due diligence (environmental, social and health)	1	L
4	Natural disasters and accidents	2	M	Organization governance - codes of conduct	1	L	External due diligence (including audits)	1	L	Human rights and labor practice, gender	1	L
5	War in or between neigboring nations	2	M	Partnering and withdrawal	2	M	Past routines	1	L	Environmental liability /pollution /damage	1	L
6	Drug, arms and human traficking activity	2	M	IT and communications Infrastructure & support	3	H	Others	1	L	Local population displacement	1	L
7	Others	2	M	Others	1	L				livelihood impacts and vulnerability	1	L
8										IP rights and culture	1	L
9										Impact to local fauna and species	1	L
10										landscape visual impacts	1	L
11										Others	1	L
12												
13												
14												
15												
16												
17												
	AVG ER		1,9	**AVG SR**		1,57	**AVG OR**		1	**AVG CR**		1
	AVG ER %age		62	**AVG SR %age**			**AVG OR %age**		33,3	**AVG CR %age**		33

DO NOT MODIFY CELLS IN RED BACKGROUND !!!

1	L	**RISK LEVELS [LVL]**
2	M	L => LOW
3	H	M => MEDIUM
		H => HIGH

Comments / Rational - Provide brief key observations			
EXTRNAL RISKS [ER]	**STRATEGIC RISKS [SR]**	**OPERATIONAL RISKS [OR]**	**COMMON RISKS [CR]**
B3 - add note here			

Actions / Mitigation			
1			
2			

Risk Levels

Risk Levels are assigned to each item and the total risk is evaluated as a percentage. The following Risk Levels are used:

- L (Low) with an assigned value of 1

- M (Medium) with an assigned value of 2

- H (High) with an assigned value of 3

As an example, if there are two items assigned as L, 3 items assigned as M and 2 items assigned as H, then the total risk would be calculated as below:
1+1+2+2+2+3+3 = 14
Average = SUM of Risk Levels of all Items / Number of Items => 14 / 7 = 2

As per the Table 1 below this risk falls in the 34 – 50% range and thus the mitigation and action plan is defined in the table.

Actions required are handled by TOF administration and/or the Board as deemed necessary based on qualification and knowhow. Depending on the complexity of the assessment and actions required for mitigation a committee of 2-5 individuals may be assigned for the evaluation.

.

Table 1. TOF risk assessment, Risk Range and Suggested Actions

No	Risk range (%age)	Project or Partner Acceptance / Rejection*	Action / Comment
1	33 %	Project/Partner accepted by TOF	May have certain attributes which need improvement. Client/project/partner proponent is advised
2	34 – 50%	Project/Partner accepted with mitigation**. Approval by TOF required.	Areas which are wanting are clarified in detail. Mitigation options suggested by TOF and/or suggested by Client/Proponent/partner. Mitigation agreed.
3	51 – 66%	Project/Partner accepted with mitigation and monitoring regime. Approval by TOF required.	Areas which are wanting are clarified in detail. Mitigation options suggested by TOF and/or suggested by Client/Proponent/Partner. Mitigation agreed. Mitigation measures closely monitored. TOF conducts a risk assessment on regular agreed terms.
4	67 – 80%	Project/Partner accepted with mitigation and monitoring regime. Approval by TOF required.	Areas which are wanting are clarified in detail. Mitigation options suggested by TOF and/or suggested by Client/Proponent/Partner. Mitigation and monitoring agreed (including, if relevant, external monitoring). Mitigation measures closely monitored. TOF conducts a risk assessment on regular agreed terms. All mitigation actions are to be put in place prior to commencement of project. If unable to meet mitigation needs project is rejected.
5	81-100%	Project/Partner Rejected	Areas which are wanting are informed. Client/Proponent/Partner may apply at a later stage if risk aspects are reduced.

*Contract agreements will include conditions as may be required to minimize risk levels.
**Mitigation can comprise having policies and routines in place (e.g., procurement, gender, risk management, auditing)