STRATEGIE

Risk management

Strategy of the Austrian Development Agency

Austrian
Development
Agency

Contents

Abbreviations

ADA	Austrian Development Agency
DCA	Austrian Development Cooperation Act
EGSIM	environmental, gender and social impact management
ER	external risks
ICS	internal control system
IR	institutional risks
KOBÜ	Coordination Office for Austrian development cooperation
OECD	Organisation for Economic Co-operation and Development
ORI	organisational risk and innovation management

1. Risk management strategy of the Austrian Development Agency (ADA) – overview

Goals of risk management

Risk management is a process designed to ensure that risks are **identified in a timely way** at **all levels of ADA** (*project and programme level and the corporate level*) and **managed in a coordinated and proactive manner**.

The aim is to increase the overall **efficiency and effectiveness** of interventions and the organisation as a whole.

Risks covered

Risk management at ADA includes (according to the OECD):
– **external risks** (OECD: contextual risks)
– **project risks** (OECD: programmatic risks): including environmental, gender and social impact management risks (EGSIM), risks associated with organisations involved in the implementation
– **institutional risks** (OECD: institutional risks)

Risk management processes

The following risk management processes are designed to ensure that risks are **recorded, reported**, and **managed** in a structured manner **at all levels** of the organisation:
– risk management at the corporate level
– risk management at the project and programme level

Risk management organisation

– As **risk owners**, managers (Managing Director, Department Directors, Heads of Unit, Team Leaders and Heads of Coordination Offices) of ADA are responsible for the identification, assessment, control and monitoring of risks in their area of responsibility.
– The **Organisational Risk and Innovation Management (ORI) unit** is a **process facilitation and advisory body in risk management.**
– The **Managing Director** ensures risk management, delegates responsibility and can also be a risk owner.
– As part of the risk management process, measures and **action managers** are defined. Those responsible for the action may be the respective project/ programme manager or other ADA employees.
– The **Supervisory Board monitors risk management.**

2. Goals and benefits of risk management

ADA sees risk management as a process to ensure that **risks are identified and managed in a proactive and coordinated manner at all levels** (project and programme level and overall organisation level) with the aim of boosting **the efficiency and effectiveness of interventions** and **the ADA as an institution** as a whole.

Risk management thus serves as a **steering mechanism** and supports the **further development** of the organisation. As the Agency of Austrian Development Cooperation, ADA is particularly committed to the Sustainable Development Goals (SDGs) of the United

Nations. Risk management is designed to help ensure the performance and functioning of the organisation at all times, to protect people, the environment and assets, and thus to contribute to the fulfilment of the SDGs worldwide.

Risk management at ADA is **integrated into the existing project and programme management and corporate management processes** and is coordinated with complementary processes such as the Internal Control System (ICS) and Compliance. **Pragmatic, useful methods and tools** are used.

Due to external framework conditions, such as fragile political, social and economic conditions in partner countries, development cooperation – in accordance with the mandate of ADA within the meaning of the DC Act, as amended – also means taking risks. Thus, it **cannot and should not be the aim of risk management to avoid all risks**. Rather, the goal of risk management is to **consciously take risks** and thus achieve better decision-making. Structured risk management also helps to create risk transparency in the organisation.

The main objectives of risk management are:
– Timely identification of risks
– Ensuring the necessary risk transparency at all levels of the organisation (project and programme level and corporate level)
– Proactive, coordinated risk management
– Monitoring of control measures

The following are not objectives:
– Avoiding all risks
– Delegation or shifting of responsibility
– Creating a culture that only sees risks

3. Risk definition

In development cooperation, the aim of planning and implementing projects and programmes is to seize opportunities and realise potential for change. Uncertainties associated with this present both opportunities and the risk of undesirable effects that may limit the achievement of the project or programme objectives, or the ADA corporate objectives. These are to be controlled by the risk management process.

For the purposes of risk management, ADA therefore sees risk as the danger of an **event** occurring that has a **negative impact** on the **achievement of the objectives** of the respective projects/programmes and/or those of **ADA itself**.

ADA's concept of risk encompasses the following categories as defined by the OECD:
External risks (contextual risks):
These are undesirable developments that may occur in a particular environment and may have an impact at the programme and institutional level (e.g. the risk of political destabilisation, a return to violent conflict, a humanitarian crisis, etc.).

Programme risks (programme/programmatic risks):
These include two types of risk:
(1)   the risk that an intervention will not achieve its objectives
(2)   the risk of the intervention causing damage to the external environment (e.g. negative impact on environmental, gender or social issues)
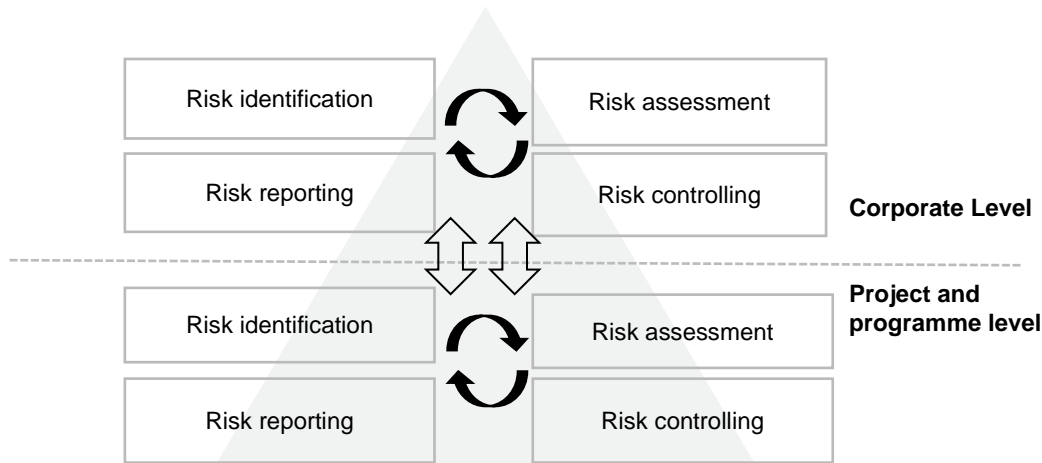
Institutional risks:

These include adverse consequences of a project for ADA itself and its staff. Consequences can range from the waste/loss of funding, to negative effects on the safety of employees, to reputational damage for ADA.

Based on this categorisation, ADA uses a risk catalogue listing the most prevalent and significant risks in projects and programmes, which are clustered into five types of risks.

4.   Risk management processes at the ADA

ADA risk management is implemented **at the corporate level** as well as at the **project and programme level.** The established risk management processes are designed to ensure that risks at all levels of the organisation are recorded, reported and managed in a structured manner.

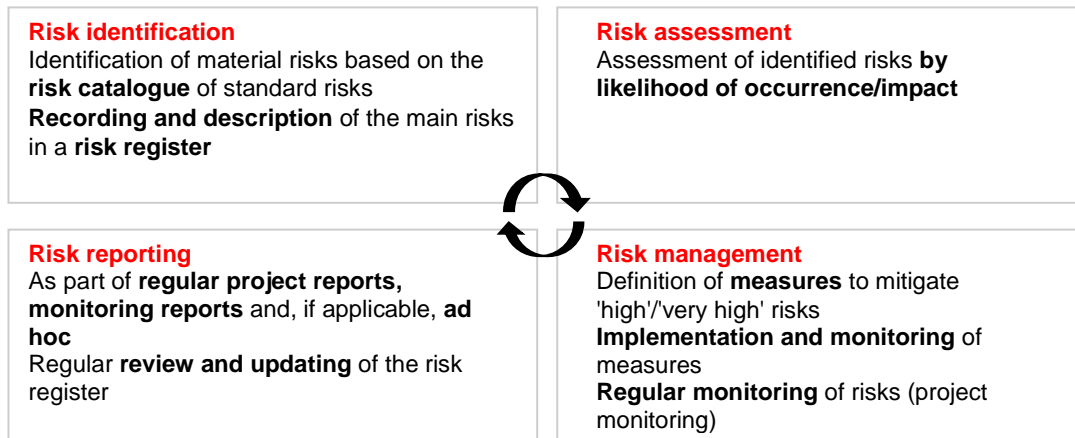| Risk identification	Risk assessment	
Risk reporting	Risk controlling	**Corporate Level**
Risk identification	Risk assessment	**Project and programme level**
Risk reporting	Risk controlling	

The aim is to ensure that material risks of programmes and projects are incorporated into risk management **at the corporate level** in order to ensure transparency about the overall risk of the organisation (including the core business, i.e. projects and programmes). ICS and Compliance are complementary processes with interfaces towards risk management at the corporate **level**.

Risk management process at the corporate level

At the level of the overall organisation, an organisation-wide risk management process is in place. Institutional risks are at the forefront of this risk management process. These are identified on the basis of the institutional risk catalogue, and recorded and assessed in an institutional risk register. Measures are defined for the identified and assessed risks, action managers and deadlines are defined, and the implementation of the measures is monitored.

Risk management process at project and programme level

At the level of development cooperation projects and programmes, a risk management process must be applied under the responsibility of the respective project manager. The aim is to apply the tools and methods of the **Risk Management Handbook**.

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Risk identification
Identification of material risks based on the **risk catalogue** of standard risks
Recording and description of the main risks in a **risk register**

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Risk assessment
Assessment of identified risks **by likelihood of occurrence/impact**

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Risk reporting
As part of **regular project reports, monitoring reports** and, if applicable, **ad hoc**
Regular **review and updating** of the risk register

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Risk management
Definition of **measures** to mitigate 'high'/'very high' risks
Implementation and monitoring of measures
Regular monitoring of risks (project monitoring)

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5. Organisational anchoring of risk management – roles and tasks

Supervisory Board: monitors **risk management**.

Managing Director:
- is the client for risk management at all organisational levels
- establishes the risk appetite

ORI Unit:
- establishes and develops risk management standards, processes and methods on behalf of the managing director
- coordinates organisational risk management processes and methodology, and reporting
- is responsible for the continuous improvement of risk management
- offers training and advice on risk management

Risk owner (senior managers: Managing Director, Directors, Heads of Units, Team Leaders and Heads of Coordination Offices):
- is responsible for risk management in his or her own area of responsibility (department, project, ...)
- is responsible for implementing the risk management process in the respective area of responsibility (identification, evaluation, definition and implementation of measures and monitoring, risk reporting)
- is responsible for fulfilling the reporting obligations

Action manager
- is responsible for the implementation of the measures assigned to him or her within the risk management process