**Risk Management Tool**

**Final**

**October 8, 2015**

# Introduction

The risk management tool is tool used for improved management of risks in a project (the tool can also be used for programmes or activities, but only the term ‘projects’ will be used here for the sake of simplicity). The background to the tool, instructions on when and how to use the tool, and examples are included in the Risk Management Guidelines. It is important to have in mind that the risk management tool is not intended to block projects from being implemented, but rather to ensure that the potential risks are known and - to the extent possible - mitigated.

# The Risk Management Tool

The risk assessment tool consists of three main components:

1. An analysis of the context and benefits of providing support.
2. An assessment of risk factors
3. Mitigating measures, including responsibilities.

## Context and benefits of providing support

Fill in the form below or refer to the proposal. The description should probably be maximum one page.

|  |
| --- |
| Context and benefits of providing support |
| *Refer to the text in the proposal, or - if the proposal has not yet been developed or if there is a need to strengthen or emphasise the context analysis or the description of benefits of providing support - describe in maximum half a page the benefits of providing support. Other sources of information can also be referred to for the conflict analysis. Maximum around one page.* |

## Risk factors

Fill in the risk matrix below with relevant risk factors. The generic list of risk factors included in annex A can be used as inspiration. There should be between 5 and 25 risk factors depending on the context and the type and scale of the project. For a definition of the likelihood and impact, please refer to Annex B.

Assess the overall risk through the use of Annex C.

*Risk matrix*

| Risk factor | Likelihood | Background to assessment of likelihood | Impact | Background to impact assessment | Overall risk |
| --- | --- | --- | --- | --- | --- |
| *Risk factor* | *Rare, unlikely, etc.* | *Describe how/why likelihood is assessed the way it is* | *Insignificant, minor, etc.* | *Describe how/why impact is assessed is the way it is* | *Low, Medium, or high. Fill the cell with the corresponding colour.* |
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| *Insert more rows as necessary* |  |  |  |  |  |

## Mitigating measures

Form for filling in mitigating measures for all high (red) and medium (yellow) risks. Include information on who is responsible for each mitigation measure and deadline by when it should be addressed.

*Mitigating measures*

| Risk factor | Overall risk | Mitigating measure | Responsible | Deadline |
| --- | --- | --- | --- | --- |
| *Insert the high and medium risk factors from the risk matrix* | *Copy also the overall risk and colour the cell accordingly* | *Describe the mitigating measures to be implemented, including specifics.* | *Who is responsible for implementation of the mitigating measures* | *Provide details of the deadline for implementation of the mitigating measures.* |
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| *Insert more rows if necessary* |  |  |  |  |

## Forms for identifying the process of developing the risk assessment

Example forms for identifying who and when conducted the risk assessment. The forms can be adapted to the specific organisation in question. Three templates that can be modified as required are provided below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Title | Name | Date |
| Programme/project title |  | | |
| Risk assessment conducted by |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | Title | Name | Date |
| Programme/project title |  | | |
| Risk assessment conducted by |  |  |  |
| Risk assessment approved by |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Title | Name | Date | Signature |
| Programme/project title |  | | | |
| Risk matrix developed by |  |  |  |  |
| Risk assessment reviewed by |  |  |  |  |
| Risk assessment approved by |  |  |  |  |

## High risk versus benefits

If the overall risks are high, it is important to keep in mind that the benefits of providing the support as identified in section 2.1 might still outweigh the risk. If this is the case please insert the explanation in the box below. The justification for providing support regardless of the risk should be maximum one page. The form would normally only be used in the case of several high risks.

|  |
| --- |
| Benefits of providing support versus risk |
| *If there is a high risk overall, the justification for going ahead with the project can be described here. It must be substantiated why the benefits outweigh the risk. Maximum around one page.* |

# Annex A - Inspirational list of risk factors

To assist with the identification of possible risk factors to be considered, a list of risk factors is included below. The list is not necessarily exhaustive. Furthermore there might - in a given context - be other risk factors which are more relevant. Some of the risk factors are more external than others and would as such typically be used for the assessment of the contextual risks.

External

* Gender issues
* General capacity/quality of human resources
* Level of stigmatisation of disabled
* Environmental issues
* Elections
* Security concerns
* Access to supplies
* Conflicts/rebellions/war
* Financial aspects, e.g. weakening of currencies, inflation, inequality.
* Levels of corruption
* Level of crime

Legal risks:

* Local legislation
* Judicial system

Organisational:

* Capacity of staff
* Managerial capacity
* Political leadership
* Level of adherence to organisational rules and regulations
* Organisational culture
* Political or ethnic interests/biases
* Donor dependency
* Collaboration within the organisation
* Collaboration between organisations at local and national levels
* Staff turnover
* Financial management
* Logistical challenges/access to supplies
* Communication capacity

Doing more harm than good:

* Contributing to inequality
* Discrimination/stigmatisation

Potential risk factors related to natural disasters in areas with e.g. recurrent flooding, large-scale disease outbreaks, etc. are not normally included in the risk matrix.

# Annex B - Definition of likelihood and impact

When assessing the likelihood of whether a risk factor will occur, please use the definitions in the table below.

|  |  |
| --- | --- |
| *Likelihood (the likelihood that a risk factor will occurs)* | |
| Likelihood | Definition |
| Almost certain | Expected to occur in most circumstances |
| Likely | Will probably occur in most circumstances |
| Unlikely | Could occur at some time |
| Rare | May occur in exceptional circumstances |

When assessing the impact that a given risk factor may have on the project or the organisation if the risk occurs, please use the definitions in the table below.

|  |  |  |
| --- | --- | --- |
| *Impact (the impact a risk factor will on the project or the organisation if it occurs)* | | |
| Impact | Definition |
| Significant | Massive damage or disruption |
| Major | Major damage or disruption |
| Minor | Minor damage or disruption |
| Insignificant | Minimal damage or disruption |

# Annex C - Definition of overall risk

*Overall risk matrix:*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Impact* | *Significant* | Medium | Medium | High | High |
| *Major* | Low | Medium | Medium | High |
| *Minor* | Low | Low | Medium | Medium |
| *Insignificant* | Low | Low | Low | Low |
|  |  | *Rare* | *Unlikely* | *Likely* | *Almost certain* |
|  |  | *Likelihood* | | | |

The table below contains the same information as the overall risk matrix above but in a format that might be more easy to read.

|  |  |  |
| --- | --- | --- |
| *Overall risk table:* | |  |
| Likelihood | Impact | Overall risk |
| Rare | Insignificant | Low |
| Rare | Minor | Low |
| Rare | Major | Low |
| Rare | Significant | Medium |
| Unlikely | Insignificant | Low |
| Unlikely | Minor | Low |
| Unlikely | Major | Medium |
| Unlikely | Significant | Medium |
| Likely | Insignificant | Low |
| Likely | Minor | Medium |
| Likely | Major | Medium |
| Likely | Significant | High |
| Almost certain | Insignificant | Low |
| Almost certain | Minor | Medium |
| Almost certain | Major | High |
| Almost certain | Significant | High |

A different way of presenting the information is by allocating numerical values to the scales of likelihood and impact instead of unlikely, likely, minor, major, etc. In other words: rate the likelihood that a risk factor will occur on a scale from 1 to 4 with 4 being the most likely, and the impact on a scale from 1 to 4 with the most significant being 4. By doing this, it is possible to calculate an overall risk by multiplying the likelihood with impact, and produce a number for the overall risk[[1]](#footnote-1). The table above would then look like the table on the next page.

|  |  |  |  |
| --- | --- | --- | --- |
| *Overall risk table:* | |  |  |
| Likelihood | Impact | Overall risk (numerical) | Overall risk |
| 1 | 1 | 1 | Low |
| 1 | 2 | 2 | Low |
| 1 | 3 | 3 | Low |
| 1 | 4 | 4 | Medium |
| 2 | 1 | 3 | Low |
| 2 | 2 | 4 | Low |
| 2 | 3 | 6 | Medium |
| 2 | 4 | 8 | Medium |
| 3 | 1 | 3 | Low |
| 3 | 2 | 6 | Medium |
| 3 | 3 | 9 | Medium |
| 3 | 4 | 12 | High |
| 4 | 1 | 4 | Low |
| 4 | 2 | 8 | Medium |
| 4 | 3 | 12 | High |
| 4 | 4 | 16 | High |

From the table it can be inferred that an overall risk of up to 4 is considered low, an overall risk from 6 to 9 is considered medium, and an overall risk of 12 or more is considered high.

1. This is not done by default as it implies a certain objectivity to the assessment of likelihood and impact which rarely is the case. [↑](#footnote-ref-1)