Managing Risk in Programs

In today's dynamic and uncertain landscape, the management of risk has become an essential component of organizational success. Within our Mimeta programs, where innovation, agility and learning are key drivers, the ability to effectively identify, assess, and mitigate risks is crucial. This document serves as a guide outlining strategies and protocols for managing risk within our Mimeta initiatives. By adopting a proactive approach to risk management, we can safeguard projects, enhance decision-making processes, and ultimately, drive sustainable value for the stakeholders involved.

Arendal, January 2024.

A risk is an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. Risk is measured by a combination of the probability of perceived threat or opportunity occurring and the magnitude of its impact on objectives. Risk management is the systematic application of principles (Guidance and appetite), the delegation of authority, approaches for the distribution of risk, guidance to risk owners to justify risk-taking, processes to identifying and assessing risks, and then planning and implementing risk responses (within a Plan-Do-Check-Act Cycle).

Risk Appetite:

The risk appetite is the amount of risk Mimeta, or a subset of it, for instance within a program, Mimeta is willing to accept. Risk appetite is the amount and type of risk that an organization is prepared to pursue, retain, or take to meet its strategic objectives. It represents a balance between the potential benefits of taking risks and the potential negative consequences if those risks materialize.

In defining a risk appetite for Mimeta, it's crucial to recognize the interdependence within our operations. This interdependence extends to funding from various sources and the involvement of independent organizations in program implementation.

Matters of Zero Risk appetite:
Securing funding is contingent upon Mimeta maintaining a reputation as a trustworthy manager of financial resources. It's imperative that we prevent any misappropriation of funds for purposes such as terrorist financing, corruption, or activities that undermine environmental sustainability, human rights, inclusivity, or gender equality.

Risk appetite in perusing intended outcomes:
However, it's important to acknowledge the complexity of the environment in which the implementing partners operate and the challenges in achieving intended outcomes. There is a general understanding that Mimeta may have a higher tolerance for threats when pursuing its intended outcomes due to the challenging nature of the issues at hand. Nevertheless, this tolerance does not diminish our commitment to ethical conduct and responsible management of resources.

With a higher risk appetite in complex circumstances comes demands on innovation and learning:

With acceptance of higher tolerances for threats in processes of pursuing intended outcomes, comes implicit expectations on increasing the understanding of why the goals were or were not reached. Another such expectation is that when working in these complex environments, one may also seek a large degree of innovation in order to reach the defined goals. For such interventions, a project has similarities to research projects and should be followed by research questions and methodologies. The project is considered as you are testing an idea within a field of practice. This is also not possible without a higher degree of risk appetite.

Low risk appetite in perusing intended outcomes in complex circumstances:

On the contrary, will a low-risk appetite in pursuing intended outcomes under complex circumstances foster interventions with a high degree of process safety? Like when repeating established practices, or when incremental innovation approaches focused on marginal steps of improvements. In these instances, learning outcomes will be a matter of registration and documentation of the process and benefits from the outcomes.

Capacity building is an effort to minimize risk.

Additional information comes from the due diligence of capabilities in the implementing organization. The main assets of Mimeta are fund management, knowledge development and capacity building. Mimeta's real contribution is to minimize risks in the implementing processes of pursuing intended outcomes. The risk appetite will therefore also depend on the degree of capacity development that the agreement between implementing organizations and Mimeta contains.

Response to Risk:

Responses to risk, such as threats and opportunities, are dependent on our ability to identify risks.

Risk identification is the determination of what could pose a risk, and we do this in a process where we describe and list sources of risk. The Risk register is to record those uncertain events that would affect one or more programme objectives. It also keeps a record of the risk exposure for each of those events and the management actions to

respond to them. It also keeps a record of the Risk responses, defined as management actions needed to respond to them. In the register, we also separate facts that exist now from uncertain events that may happen. These are identified based on a prior assessment of the relationship between the uncertain event and the possible impact of that event occurring. These could be based on risk estimation (predetermined standards, target risk levels, interdependencies etc.) or risk evaluation, as the process of understanding the net effect of identified threats and opportunities on an activity when aggregated together.

Response strategies:

As generic responses to identified threats and opportunities, you have different strategies. One involves avoiding the threat altogether by eliminating the associated risk in uncertain situations or by withdrawing from the situation entirely. Alternatively, when seeking to reduce a threat, the focus shifts to mitigation efforts aimed at decreasing the likelihood of its occurrence or minimizing its potential impact. Another response to threats is the transfer of risk to others. However, it's important to carefully consider the cost and justification of such transference. Acceptance of risk exposure is another viable approach, where both the probability of occurrence and the potential impact are acknowledged. In such instances, adapting to the risk becomes necessary. Encouraging collaboration through sharing is also a valuable strategy, wherein risks are distributed among stakeholders based on a pain/gain basis. Furthermore, contingency planning is often employed, where a risk is accepted initially but plans are made to act later if the identified situation arises. In such instances, planning also involves the financial aspects of the contingency action.

Risks to assess throughout the process could concern
- Stakeholder behaviors
- Managerial issues
- Delivery performance of projects
- Emerging changes in the programme environment
- Capacity and ability in the defined constituency to prepare for changes
- Manage risks with a direct impact on one or more outcomes of benefit

When and how:

In Mimeta, our due diligence process is essential for identifying and mitigating potential risks within our programs. This process is conducted prior to entering into collaborations and is also mandatory for program participants to conduct when involving other parties through grant reallocation, work processes, and other means. The goal of this effort is to enhance the capacity of all stakeholders involved in achieving the program's objectives, thus the process should be considered valuable as a capacity-building effort for organisations. All involved parties will have access to the tools and be given guidance on the methodology used for risk assessment and management.

Themes:

The purpose of due diligence is to establish a shared understanding of risks, including those related to non-acceptable practices such as funding terrorism, normative issues like gender equality, organizational governance, capabilities, and relationship assets. We also assess risks related to achieving the intended outcomes of the initiative, the risk profile of human rights violations that may occur as a response towards the activities, and the civic space characteristics of the environment where the initiative operates.
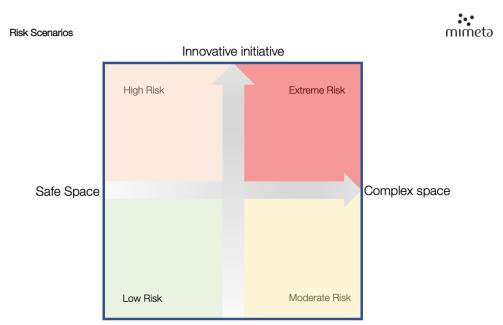
Process of involvement:

Information for the assessment is gathered through a combination of self-evaluation, documentation review, and interviews, before listing in the risk register. The assessment is shared and discussed, setting the risk appetite is considered in a collective process and the management happens through a system of defining responsibilities, possible actions and the making of a contingency plan.

Use for decision-making:

Based on the assessment of these risk characteristics, we develop a comprehensive risk index for the initiative. This risk index synthesizes the identified risks into a structured format for easier understanding and decision-making. The information derived from this indexing process is then communicated to decision-making bodies and potential sponsors of specific programs or projects. This data serves as a crucial basis for their decision-making process, enabling them to make informed choices regarding their involvement and support for the initiative.

Figures:

Risk Scenarios

Innovative initiative

High Risk

Extreme Risk

Safe Space

Complex space

Low Risk

Moderate Risk

Repetitive initiative

Innovative initiative

Risk Scenarios explained

High risk:
This level indicates a situation where there is a significant likelihood of negative outcomes occurring, which could have substantial impacts if they materialize. High-risk situations often require immediate attention, thorough risk assessment, and robust mitigation strategies to minimize potential harm.

Extreme risk:
This level represents a situation where there is an imminent or highly probable threat of severe negative outcomes with potentially catastrophic consequences. Extreme-risk situations demand urgent action, comprehensive risk management strategies, and may require extraordinary measures to prevent or mitigate significant harm.

Safe Space

Complex space

Low risk:
This level indicates a situation where the likelihood of negative outcomes is minimal or very low. These situations typically have well-understood factors, stable conditions, and established controls to mitigate risks effectively.

Moderate risk:
This level signifies a situation where there is a noticeable but manageable level of uncertainty or potential for negative outcomes. Moderate-risk situations may require more active monitoring and periodic reassessment of risk factors and mitigation measures.

Repetitive initiative

mimeta

Innovative initiative

mimeta

Learning
outcomes
Increases
Risk
appetite

Applying:
This level focuses on the ability to use learned information or skills in new or familiar situations. Learning outcomes include applying knowledge to solve problems, analyze situations, or perform tasks using acquired skills and concepts..

Analyzing/Evaluating/ Creating:
These higher-order levels involve more complex cognitive processes. Analyzing, Evaluating, Learners can generate new ideas, designs, products, or solutions by synthesizing knowledge, skills, and concepts in innovative or original ways.

Safe Space

Complex space

Remembering:
At this level, learners can recall or recognize facts, concepts, terms, and basic information relevant to the subject or skill. Learning outcomes might include remembering specific details, definitions, or procedures..

Understanding:
This level involves demonstrating comprehension and interpretation of concepts, ideas, or principles. Learners can explain ideas in their own words, summarize information, and demonstrate understanding through examples or analogies.

Repetitive initiative

Innovative initiative

mimeta

Capacity building
mitigates risk and Increases Risk appetite

Advanced assurance:
emphasizes continuous improvement, innovation, and strategic planning to address complex challenges and opportunities effectively. Advanced assurance involves advanced training, research, collaboration, and the implementation of best practices to optimize performance and outcomes.

Expert assurance:
requires ongoing learning, knowledge sharing, and collaboration. It also involves mentoring, coaching, and knowledge transfer to empower others and foster a culture of excellence and innovation within the organization or community.

Safe Space

Complex space

Basic assurance:
aims to establish a minimum level of competence or capability to perform specific tasks or functions effectively. This level emphasizes training, education, and access to essential tools or support systems.

Intermediate assurance:
builds upon basic competencies by offering more specialized training, mentoring, or coaching to improve performance and problem-solving abilities. It also includes strengthening infrastructure, processes, or systems to increase resilience and sustainability.

Repetitive initiative