Risk Management Policy

RISK MANAGEMENT POLICY

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Drafted by	Al Dawood	Approved by Management committee on	
Responsible person	Operations Manager	Scheduled review date	November 2020

Introduction

The nature of development work, particularly in a fragile state such as Afghanistan, means that risk management is an integral process that needs to be carried out correctly to ensure positive progress is achieved. Mahboba's Promise approaches development work with a serious understanding of the need to manage risks and the organisation uses a comprehensive risk management policy to reduce the possibility of negative events impacting on development work, beneficiaries we work with and the organisation's reputation, personnel and partners.

  Mahboba's Promise wishes to see a peaceful and prosperous Afghanistan and believes that the development work we undertake is essential to achieving this vision. With this in mind, any program or project being undertaken in Afghanistan must go through the appropriate risk management checks to ensure that all those involved are conducting their work in a safe and legal manner, with a focus on child protection, financial transparency and good governance.

Definition: *Risk management;* a process designed to deal with emerging and changing risks, involving identifying and evaluating risks, deciding how to respond to them and taking necessary actions

Scope:

This policy covers all activities undertaken by MPI and MPA staff, volunteers and stakeholders as well as any partners or contractors who are involved with Mahboba's Promise.

Policy:

Mahboba's Promise acknowledges that risks exist and we seek to identify risks early to determine the appropriate course of action needed to mitigate or prevent risks impacting our work. Before implementing any project, Mahboba's Promise will assess the size or degree of all potential risks that may arise during implementation and operation as per the Risk Matrix. These risks will be documented in a Risk Management Checklist for that specific project. Risks will be ranked in a common and consistent manner and monitored throughout the project lifecycle. Appropriate action will be taken to mitigate risks. Should a risk be ranked 'Very High' or 'High', any project work will cease and a project re-evaluation will be conducted. Communication between all stakeholders involved with a project will be maintained throughout the project lifecycle to monitor risks. The

effectiveness of the risk management system will be reviewed on a regular basis and we will communicate and consult with relevant stakeholders on our approach to managing risk.

Types of Risk:

Types of risks that may impact on Mahboba's Promise work in Afghanistan include but are not limited to:

Health and Safety: The wellbeing of staff and the people we seek to serve. Child protection and addressing any risks to the children in our care is of the highest priority.

Social and Cultural: Community support and involvement in a project. Cultural appropriateness of a project.

Financial: Maintaining ongoing income generation, dealing with foreign exchange and inflation, corruption and fraud.

Political: Changes in the political or security situation in Afghanistan. Changes in the foreign aid priorities or diplomatic mission of the Australian Government.

Environmental: Natural disasters, such as floods, earthquakes, season fluctuations or the impact of climate change.

Legal and Compliance: The work of Mahboba's Promise and its implementing partnersis subject to the laws both in Australia and Afghanistan, as well as other compliance and regulatory requirements.

Human Resources: The organisation's success and compliance currently depend on a few key people, including the founder of Mahboba's Promise and the CEO of Mahboba's Promise Afghanistan

Responsibilities:

It is the responsibility of the MPI Management Committee to ensure that:

- Effective risk management procedures are in place, applicable to all relevant areas;
- Risk management procedures are reviewed regularly;
- Recommendations arising out of the risk management process are evaluated and, if necessary, implemented; and
- Employees and volunteers are aware of all applicable risks and familiar with the organisation's risk management procedures.
- All individuals involved in project work uphold the organisation's Risk Management Policy and it's procedures in their work with the organisation.
- Copies of up-to-date Risk Management Checklists are kept in a central Risk Management Register.

It is the responsibility of MPA to:

- Ensure that the target beneficiaries of a project remain a top priority when conducting a risk assessment
- Include a specific risk assessment addressing child protection in all project designs and effectively monitor any risks to children identified throughout the project lifecycle
- Conduct regular consultations with beneficiaries and the wider community the project is operating in to monitor progression of the risk
- Share risk assessment updates with MPI management committee as required.

It is the responsibility of all individuals involved in Mahboba's Promise projects to ensure that:

- They are familiar with the organisation's risk management definitions, procedures and Checklist as applicable to their section and work
- They actively implement the identified risk management procedures into their work

They inform their superior if they become aware of any risk not covered by existing procedures.

Procedures:

When designing and implementing development programs, Mahboba's Promise will aim to manage risks by implementing the following process::

1. **Identify sources of risks**
   - Consider the source of risk, using the above categories as a guideline.

2. **Describe the individual risks specifically**
   - Specify the risk. For example a social risk might be: 'Conflict within the community over the use of land by beneficiaries".

3. **Determine the impact of the risk and the consequences it will have on achieving the project objectives and outcomes.**
   - Estimate the impact of the risk to the project if it did occur.
   >For example, conflict within the community over land use issues will cause disharmony and undermine the social integration of the intended beneficiaries of a project with the wider community. It will also damage our reputation
   -Describe the impact and assign an impact level to the risk using the **risk matrix** below.

4. **Determine the likelihood of the risk**
   -Estimate the likelihood of the risk eventuating
   -Assign a likelihood level to the risk using the **risk matrix** below.

5. **Identify the risk rating**
   -Use the likelihood of the risk occurring and the potential impact of the risk to determine the risk rating
   -The risk rating allows us to prioritize the risks involved in projects.

6. **Outline the current controls in place to mitigate the risk from occurring.**
   - Describe what actions and procedures are currently in place to control the risk
   - Who is responsible for implementing these controls?
   - Has a previous project experienced a similar risk? How did we react to that?

7. **Develop a risk mitigation strategy.**
   - Consider strategies for counteracting the risk to prevent it from eventuating or if out of our control, strategies to minimise the consequences of the risk eventuating. The risk mitigation strategy should include the roles and responsibilities of the parties and these should be included in the project plan (which is an appendix to the MOU).
   > For example, ensure land rights and access issues are canvassed with the local community, implementing NGO partner and intended beneficiaries prior to implementing the project to identify and avoid any potential conflict.

8. **Monitor risks:**

- Monitor risks throughout the project lifecycle by identifying any upcoming actions to be undertaken to prevent the risk from eventuating or minimising impact.
- Ensure risks are consistently addressed in all field monitoring reports and findings are made aware to the management committee.

9. **Communicate about risk related issues regularly**
- In all monthly project reports, field or monitoring reports, include a section discussing the current risk management situation of the project.
- A final evaluation report needs to be completed which details the progression of the risk management procedure for the project. It is beneficial to include any comments, observations or lessons learnt for future reference.

Determining Risks:

The following definitions are used by Mahboba's Promise to evaluate risks when completing risk management and risk assessment work. All staff, volunteers and partners involved in program design and implementation are responsible for knowing and understanding these definitions and using them correctly when undertaking risk management work.

Risk matrix[1]

Likelihood	Impact				
	Negligible	Minor	Moderate	Major	Severe
Almost certain	Moderate	Moderate	High	Very High	Very High
Likely	Moderate	Moderate	High	High	Very High
Possible	Low	Moderate	High	High	High
Unlikely	Low	Low	Moderate	Moderate	High
Rare	Low	Low	Moderate	Moderate	High

Understanding 'likelihood'

Likelihood	Description
Almost Certain	Expected to occur in most circumstances: • Has occurred on an annual basis in the past • Circumstances are in train that will cause it to happen
Likely	Will probably occur in most circumstances: • Has occurred in the last few years or has occurred recently • Circumstances have occurred that will cause it to happen in the next few years
Possible	Might occur at some time: • Has occurred at least once in Mahboba's Promise history or in the history of similar organisations
Unlikely	Not expected to occur:

[1] AusAID Risk Matrix

	• Has never occurred in our experience but has happened to other projects
Rare	May occur only in exceptional circumstances • Has not occurred to date

Understanding 'consequences'

Consequence	Description
Negligible	• Result in consequences that can be dealt with by routine operations
Minor	• Minor delays in achieving objectives • Threaten the efficiency or effectiveness of some aspect of the project/activity but can be dealt with internally • Have minor political/community sensitivity • Minor dissatisfaction of beneficiaries, partners or other key stakeholders • Project suffers minor adverse financial impact • Minor damage to property
Moderate	• Moderate delays in achieving objectives • Project subject to unplanned review of changed ways of operation • Have moderate political/community sensitivity resulting in limited adverse publicity or criticism • Limited dissatisfaction of beneficiaries, implementing NGO partner or other key stakeholders, moderately damaging Mahboba's Promise reputation • Project suffers moderate adverse financial impact • Moderate damage to property • One serious injury or multiple minor injuries
Major	• Major delays in providing services or achieving key objectives • Threaten the survival or continued effective function of the project • Have major political/community sensitivity resulting in significant adverse publicity or criticism • Significant dissatisfaction of beneficiaries, implementing NGO partners or other key stakeholders, significantly damaging Mahboba's Promise reputation and relationships • Project suffers major adverse financial impact • Major breaches of legislative/contractual obligations • Major damage to property or moderate damage to multiple properties • One life-threatening injury or multiple serious injuries
Severe	• Critical business failure resulting in non-achievement of key objectives • Project subject to unplanned external review/inquiry • Have severe political/community sensitivity resulting in extensive adverse publicity or criticism • Extensive dissatisfaction of beneficiaries, implementing NGO partners or other key stakeholders, severely damaging

	Mahboba's Promise reputation and loss of stakeholder confidence in Mahboba's Promise
	• Project suffers severe adverse financial impact
	• Severe breaches of legislative/contractual obligations
	• Extensive damage to property resulting in loss of property or major damage to multiple properties
	• One death or multiple life-threatening injuries

Risk Rating

Risk Rating	Description
Very High	• Prevent risk from occurring at all costs – avoid undertaking the activity completely OR executive response required OR new controls must be implemented in response
High	• Consideration needs to be given to suspending / ending activity OR consider implementing additional controls to prevent risk from occurring. Executive attention to risk needs to be maintained throughout project cycle.
Moderate	• Ensure controls are in place and operating
Low	• Continue activity as normal

Risk Management Checklist for Projects

Name of Project:

Step 1: Risk Identification	Step 2: Risk Assessment			Step 3: Risk Management			
List of Possible Risks	Likelihood	Impact	What are we already doing about it? (mitigating factors)	What more can we do about it?	Timescale	Person Responsible	Reviewed Level of Risk

Date to be reviewed	
Person/Group responsible for review	