People's Oriented Program Implementation (POPI)

Risk Management and Mitigation Strategy

Contents

Annexure

Chairperson
People s Oriented Program
implementation (POPI)

1. Introduction

Peoples Oriented Program Implementation (POPI), from a modest youth initiative formed in 1986, currently is recognized and respected in home and abroad as a successful national development NGO in Bangladesh. A host of factors jointly contributed in its three decades long journey in conducting its multi- sectoral right based development programs and activities, which include but not limited to its appropriateness and relevancy of programs, proper selection of program beneficiaries , capacity of drawing attention of and assistance from national and international development partners. POPI's highly motivated staff and Board Members since its inception have been ceaselessly endeavoring for making it an organization to be reckon with. It has all necessary systems and structures in place to take forward its objectives through successful implementation of its various programs and projects. It also invests sufficient resources for capacitating its staff so that they can discharge their responsibilities with excellence.

POPI's continued success , in addition to factors mentioned above , also hugely depends on its capacity of analyzing of various risk associated with its investment plan, it in social and economic sectors and devising appropriate ways and means to mitigate potential risks/ challenges. Its journey for bringing desired changes in the lives and livelihoods of its program partners was not been always easy and POPI has to encounter challenges/ risks, some small and some not so small over the years. However, POPI successfully could overcome these rough situations as it has been always keen to analyze various probable risks before making any new investment and developing proper strategy to mitigate it as per the demand of the specific situation.

This policy paper attempts to document the strategies that POPI employs in analyzing and devising ways and means to overcome challenges associated with various important risks identified by the Risk Strategy Development Committee. A group of senior staff, after threat bearing discussion over several sessions, collectively developed this strategy for POPI. It is expected that following this strategic document, POPI will be even in a better position than ever before in facing any potential risk that it may encounter time to time, and navigate the situation successfully.

3

Chairperson
People s Oriented Program
Implementation (POPI)

1.1: Concept of Risk

People's Oriented Program Implementation (POPI) consider the risk as the potential of losing something or future uncertainty that creates problem or hazards/perils. The losses could be monetary, physical, emotional or otherwise. Risks may be different types and originate from different situations. It may be external or internal. The external risks are those that are not in direct control of the management. These include political issues, exchange rates, interest rates, and so on. Internal risks, on the other hand, include non-compliance or information breaches, among several others. Like every organization POPI has specific vision, missions and objectives. To achieve the objectives, POPI are to use and depend on both internal and external sources. So, POPI also face internal and external influences that make it uncertain whether, when, and the extent to which POPI will achieve or exceed the objectives. The effect of these uncertainties on organization's objectives will be treated as POPI's risk.

1.2: Purpose of POPI Risk Management Plan

Risk Management will be the process of identifying, assessing, responding to, monitoring, and reporting the rrisks. To manage the risks POPI should have a Risk Management Plan which will defines how risks are associated with the organization, how it will be identified, analyzed, and managed. This Risk Management Plan will outline how risk management activities will be performed, recorded, and monitored. This Risk Management Plan will document the processes, tools and procedures that will be used to manage and control those potential events/incidents that could have a negative impact on POPI. It will be the controlling document for managing and controlling all potential risks of POPI. This plan will address:

Risk Identification

Risk Assessment

Risk Mitigation

Risk Contingency Planning

Risk Tracking and Reporting

Chairperson
People s Oriented Program
Implementation (POPI)

4

2 Risk Management Strategies

There are three stages involved in preparing risk assessment for POPI organization. These are:

- risk identification
- risk assessment
- risk mitigation

2.1 Risk Identification

The first step of risk assessment is to identify the risks associated with the management and operational processes for the organization. To do this a brainstorming session will be held with the departmental /unit heads and senior managements. They will identify the all potential risks of the strategic period 2017-2021 associated with the social empowerment sector and economic empowerment sector and as well as risks associated with overall organization. At last these will be reviewed and make sure it covers all of the important risk areas.

2.2 Risk assessment

All the identified risks will be assessed (rated) considering two dimensions: probability and impact. The probability dimension involves deciding how likely the risk will occur. So, in terms of probability aspect each risk falls into one of three categories:

- High probability: the risk might occur once every one to two years (> 70% probability of occurrence).

- Medium probability: the risk might occur once every three to five years (>30%> and <70% probability of occurrence).

- Low probability: the risk might occur less frequently than once in five years (< 30% probability of occurrence).

In terms of impact (what the potential impact of the risk would be on the POPI) aspect each risk will fall into one of three categories:

- high impact: POPI might be forced to terminate activities as a result of a catastrophic failure or occurrence defined by the risk

Chairperson
People's Oriented Program
Implementation (POPI)

- medium impact: POPI would continue but the risk will have significantly affected its performance, timescales or costs
- Low impact: the impact would be small and easily managed at a relatively routine level within the organization.

Once risk management team of POPI will decide the probability and impact of each risk, they will plot them on a risk classification chart mentioned below.

Probability	H	Medium risk	High risk	High risk
	M	Low/ common	Medium risk	High risk
	L	Low	Low/ common	Medium risk
		L	M	H

Impact

Risk Classification/Assessment Tool

Risks that fall within the RED and YELLOW zones will have considered as high and medium level risks. For high and medium level risks POPI will have risk response planning (risk mitigation and contingency plan).

Chairperson
People's Oriented Program
Implementation (POPI)

High risks are critical risks which will have high probability of occurrence and high impact. In cases of high probability of occurrence with medium impact and medium probability of occurrence with high impact the risk will be treated as high risk. Critical risks require explicit management to keep them under control. It also requires detailed research and management planning at senior levels.

Medium risk will be the risk which will have

- Low probability of occurrence but would have severe consequences
- Medium probability of occurrence and would have medium consequences
- High probability of occurrence and would have low consequences

Such type of risk is difficult to manage. This type of risk will be treated as significant and immediate senior management attention needed for it

Common/routine risks are the risks which commonly/ frequently occur but such type of risks will have only a minor impact on the organization. As they occur frequently, action to mitigate the risk would be built into a routine process. Senior management attention is needed and management responsibility must be specified for it.

Low importance risks are the risks which will have both low likelihood and low impact. It will be managed by routine procedures.

For each major risk, one of the following approaches will be selected to address it:
- Avoid   :   eliminate the threat by eliminating the cause
- Mitigate : Identify ways to reduce the probability or the impact of the risk
- Accept : Identify ways to reduce the probability or the impact of the risk
- Transfer: take another party responsible for the risk (buy insurance, outsourcing, etc.)

Considering the likelihood and consequences the identified risks are categorized which are mentioned below

Table 1: POPI's risks and *Risk category*

Risk number	Risk area	Risk description	Probability/ Likelihood	Impact/ consequences	Risk category	Proposed approach
1	Funding	Reduction of core funding	High	High	High	Mitigate
		Decreasing trend of grant funding sources for programmes	High	High	High	Mitigate
2	Reserve fund	Reserve fund below estimated	Low	Low	Low	
3	PAR	Increase Port folio at Risk	Low	High	Medium	Accept
4	Overdue	Increase Overdue	Low	High	Medium	Accept
5	Equity	Reduce Equity	Low	Low	Low	Avoid
6	Finance	Fraud	Low	High	Medium	Accept
7	Human resources	Staff turnover	High	High	High	Mitigate
		Inadequate Staff development initiatives	Low-Median	High	Medium	Accept
		Disproportionate number of women staff	High	Low	Medium	Accept
8	IT	Complete loss of IT services due to computer or power failure	Low	High	Medium	Accept
9	Knowledge Management	Lack of effective system for knowledge generation, management and learning	Low	High	Medium	Accept
10	Natural disaster	Flash flood	Medium	Medium	Medium	Accept
		Flood	Low	High	Medium	Accept

Chairperson
People s Oriented Program
mplementation (POPI)

Risk number	Risk area	Risk description	Probability/ Likelihood	Impact/ consequences	Risk category	Proposed approach
		Cyclone	Low	Low	Low	Avoid
		Tornado	Low	Low	Low	Avoid
		Fire	Low	High	Medium	Accept
11	political/social unrest	Possibility of political/social unrest	Low	High	Medium	Accept

2.3 Risk mitigation

Risk mitigation will be kind of actions where POPI will decide how to manage the higher importance risks. In some cases the only action might be to monitor the risk and see if it becomes more significant. Techniques to mitigate risk will largely dependent on the type of risk that POPI wants to reduce. POPI will follow the following mitigation techniques

- Avoidance
- Acceptance
- Transfer

As risk mitigation measures POPI will follow two steps; one will be identifying various activities or steps, to reduce the probability and/or impact of the adverse risk and another one will be creation of a Contingency Plan to deal with the risk should it occur. A risk register will be followed for the documentation of the risks and mitigation activities.

Chairperson
People s Oriented Program
mplementation (POPI)

9

Table 2: POPI Risk Mitigation Actions /Plan

Risk number	Risk area	Risk description	Risk category	Mitigating actions /treatments	Responsibility (By whom, when)
1	Funding	Reduction of core funding	High	• Ensure effective and frequent communications with donors, partners, Gob officials, private sectors , financial institutions etc	Resource mobilization unit

		Decreasing trend of grant funding sources for programmes	High	• Financing social programmes from the surplus generated
				    I.I POPI enterprises
				    I.II MF
				II. Finding out potential donors
					Senior Management

2	Reserve fund	Reserve fund below estimated	Low	• Maintaining reserve fund as per MRA Guideline	MF Operation team
3	PAR	Increase Port folio at Risk	Medium	• Keep Loan loss provision as per MRA Guideline • Write off system/policy is in place • Ensure Emergency fund	MF Operation team
4	Overdue	Increase Overdue	Medium	• Loan distribution in accordance policy • Proper follow up and monitoring the utilization of loan • Regular internal audit • Team work	MF Operation team

5	Equity	Reduce Equity	Low	• Prepare resources utilization plan and use as per plan
				  I. Optimal usage of all resources (rationalization all use and expenses)
				  II. Five year business plan for MF and Enterprises
				  III. Find out new business opportunities
					MF Operation team

6	Finance	Fraud	Medium	• Ensuring policy compliance in all financial transaction	

Risk number	Risk area	Risk description	Risk category	Mitigating actions /treatments	Responsibility (By whom, when)
				• Verify and validate financial transaction on regular basis • Conduction of Audit on regular basis and taking management/legal actions • Conducting external audit	Finance, operation and audit team
		Staff turnover	High	• Create enabling working environment • Reviewing current staff benefit packages	HR & Admin department
7	Human resources	Inadequate Staff development initiatives	Medium	• Provide need based training ○ Arrange competency enhancing training for staff (in house & external)	HR & Admin department
		Disproportionate number of women staff	Medium /commo n	• Recruit women staff and giving priority • Posting in favorable places	HR & Admin department
8	IT	Complete loss of IT services due to computer or power failure	Medium	• Ensure all equipment has automatic local back-up • Ensure all data is regularly backed-up and filed by each operator • Ensure back-up at a separate site.	IT manager
9	Knowledge Management	Lack of effective system for knowledge generation, management and learning	Medium	• Record and document good practices on regular basis • Sharing findings of periodic studies reports and good practices	Research, Documentation and M&E unit

Risk number	Risk area	Risk description	Risk category	Mitigating actions /treatments	Responsibility (By whom, when)
		Flash flood	Medium	• Maintain warehouse for keeping relief materials, equipments and create reserve fund for emergency • Update contingency plan in regular basis • Continue disaster preparedness activity • Conduct refreshers training for staff and volunteers • Conduct mock drill	Humanitarian Coordination Team
		Flood	Medium		
		Cyclone	Low		
		Tornado	Low		
		Fire	Medium		
11	political/social unrest	Possibility of political/social unrest	Medium	• Maintaining strict neutrality in conducting POPI activities	Senior Management

signature

Chairperson
People s Oriented Program
mplementation (POPI)

2.4 Risk Contingency Planning

Having a contingency plan in place means and forces the organization to think in advance as to a course of action if a risk event takes place. Contingency planning will be the act of preparing a plan, or a series of activities, should an adverse risk occur. So this planning will decide what contingencies would be put in place to assure management that the POPI and operational performance are secure. POPI will prepare a contingency plan and this plan will be used to lessen the impact when any risk will occur. While assessing contingency there are four aspects (performance, funding, time scale and cost) will have to consider.

2.5: Risk Monitoring and Reporting

POPI will track and monitor the risks on scheduled basis. A top list of risks will be maintained by risk management team. After every three (3) years it will be reassessed, reviewed and reported following a risk register mentioned below. Risk management team will notify the management about the important changes to risk status. So Risk Monitoring and Control of POPI is the process of identifying, analyzing, and planning for newly identified risks, monitoring previously identified risks, and reevaluating existing risks to verify the planned risks response strategies for their effectiveness.

Table 3: Risk register/Log

Risk ref. number	Risk area	Risk description	Risk category	Control Rating	Current level of risk	Remarks

Chairperson
People's Oriented Program
Implementation (POPI)

Annexure

Appendix A: Risk Classification/Assessment tool

Probability				
H		Medium risk	High risk	High risk
M		Low/ common	Medium risk	High risk
L		Low	Low/ common	Medium risk
		L	**M**	**H**

Impact

Risk Classification/Assessment Tool

Appendix B: Risk Classification/Assessment Matrix

Risk number	Risk area	Risk description	Probability/ Likelihood	Impact/ consequences	Risk category	Proposed approach

Chairperson
People s Oriented Program
mplementation (POPI)

Appendix C: Risk Register /Log Template

Risk ref. number	Risk area	Risk description	Risk category	Control Rating	Current level of risk	Remarks

- For control rating mention the level of control mechanism (adequate, in adequate, excellent) that has been taken or planned.
- For current level of risk it may be lower, higher or same category as classified before.

Appendix D: Risk Management Team

- Director, Micro finance
- Director, Finance and Accounts
- Director, Economic Empowerment sector
- Director, Social Empowerment sector
- Deputy Director, Monitoring and Evaluation
- Deputy Director, HR & Administration

Chairperson
People s Oriented Program
Implementation (POPI)