

## MODULE 3.ANALYSIS AND MONITORING



- In this module:
  - Cost Efficiency
  - Risk Analysis
  - **Risk Mitigation**
  - Financial Control
  - Quality Control
  - Monitoring

## DEFINITION RISK MITIGATION PLANNING



Risk mitigation planning is the process of **developing options** and **actions**

*SOURCE: Project Management Institute*

This is something we do everyday in our lives

## TYPES OF RISK MITIGATION

- **Avoid risk** – Change plans to circumvent the problem
- **Control risk**; – Reduces impact or likelihood (or both) through intermediate steps
- **Accept risk**– Take the chance of negative impact
- **Transfer risk** – Outsource risk

We avoid risk a lot in cash but just opting not to do it! We often look at the risk of “doing” but what about the risk of “not doing” that’s less likely to be considered – we should look at both, so what is the risk to not doing the program at all, what is the risk of not using cash as the modality?

Have a discussion about what they mean.

Remember that avoiding or transferring do not meaning completely removing. We will still have exposure even if it is limited to organizational reputation. For example with a FSP delivering cash on our behalf, we may be completely out of the financial risk but it is still our programme and we are still exposed to a reputational risk.

This example also works to show now a mitigation measure of one risk – Cash in Envelopes delivered by RCRCM (security and financial risks) can be mitigated by transference and create a new risk – reputation.

Watch out when you explain risk transfer → getting a 3<sup>rd</sup> party doesn’t necessary remove the risk. We use a 3<sup>rd</sup> party because we see them as being better than us at managing / handling the risk.

⇒ **Accept the risk**

Depending on the nature of the activity there is risk that the organization is ready to accept. This should be explicit and the risks presented to the management.

⇒ **Avoid the risk**

If some risks exceed the risk tolerance of the organization, it may be decided to change the modalities or cancel the activity.

⇒ **Mitigate the risk**

If the risk is too significant, we can put in place mitigation measures and controls to reduce the probability and/or the impact of the risk.

⇒ **Transfer the risk**

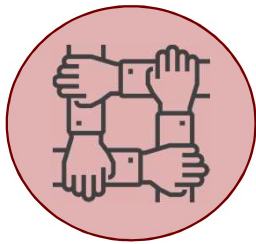
Finally we can transfer the risk, to a third party or insurance to avoid the negative impact of the risk. In any case we will avoid transferring the risk to the beneficiary or the community. We may outsource to an FSP to deliver cash on our behalf. We have to be careful that we really are transferring to a third party that is better able to undertake actions to mitigate risk – if they aren't and this something happens there is the reputational risk to us

Risk/concern	Possible mitigating actions
<b>Insecurity</b>	<ul style="list-style-type: none"> <li>• Electronic cash transfers or vouchers</li> <li>• Small amounts and varied routes</li> <li>• Use of private or remittance companies</li> </ul>
<b>Social tensions within community</b> Cash can increase tensions within the community (e.g. non-targeted populations) and at household level (related to the control of cash).	<ul style="list-style-type: none"> <li>• Analysis of men's/women's preferences</li> <li>• Separate men's/women's consultations</li> <li>• Community consultations</li> <li>• Community-based targeting</li> </ul>
<b>Inflation</b> Risk of increase of prices (if the demand created by cash transfers is not matched by corresponding supply)	<ul style="list-style-type: none"> <li>• Market analysis, price monitoring</li> <li>• Use voucher approach, provide advance information to traders</li> <li>• Regularly adjust transfer value</li> <li>• Combination of cash and in-kind assistance</li> </ul>
<b>Fraud and corruption</b> Risk of corruption of intermediaries, partners or staff.	<ul style="list-style-type: none"> <li>• Electronic cash transfers</li> <li>• Segregation of duties and responsibilities</li> <li>• Feedback and complaints mechanism and beneficiary information</li> <li>• Process and results monitoring</li> </ul>
<b>Unintended use or poor quality goods</b> Use of cash for undesirable expenditures such as alcohol or gambling.	<ul style="list-style-type: none"> <li>• Vouchers</li> <li>• Different instalments and verifications</li> <li>• Solid needs analysis, proper targeting and coherence between assessed needs and amounts transferred</li> </ul>
<b>Internal procedures</b> Internal ICRC procedures slow and unclear, especially the division of roles and responsibility between EcoSec, Logistics and Administration.	<ul style="list-style-type: none"> <li>• Dissemination and use of standard operating procedures for EcoSec, Logistics and Administration teams</li> <li>• Alignment of cash control procedures with food control procedures</li> </ul>
<b>Capacity, preparedness and readiness</b> Lack of experience (staff and partners), systems, procedures and tools	<ul style="list-style-type: none"> <li>• Facilitate access to tools and templates</li> <li>• Document lessons learnt</li> <li>• Training</li> </ul>

Source is ICRC. We can mitigate but we might not eliminate. Ask the participants if there is anything to add or remove

## TASK 2 – MODULE 3

### Risk assessment



- Now take 4 of the risks from the previous exercise (include at least the 2 highest risks)
- For your 4 risks – think of ways that you can mitigate them
- Write up on the flip chart
  - 1:What is the risk?
  - 2: How will you mitigate it?
  - 3:Which of the 4 methods of mitigation is this?
- Group Work: 20 min
- Discussion: 20 min

Group 1

Group 2

Group 3

Group 4

Logistics

ICT / Admin

Finance 1

Finance 2

## GROUPS

Group 1 (e.g Finance 1)	Finance 2	ICT Admin	Logs

Change the headings depending on your training make up

But its same groups as previous task

## KEY TAKEAWAYS

- All risk can be mitigated – its just a question of how.
- Organisations will have different levels of acceptable risk
- It is part of our job as trained cash practitioners to help change the opinion of cash as “risky”



? All risk can be mitigated? → Accepting ?