UPDATE ON ENTERPRISE RISK MANAGEMENT

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UNICEF Executive Board – Informal briefing – 22 January 2024

Item 9: Update on the development of an overarching system for enterprise risk management
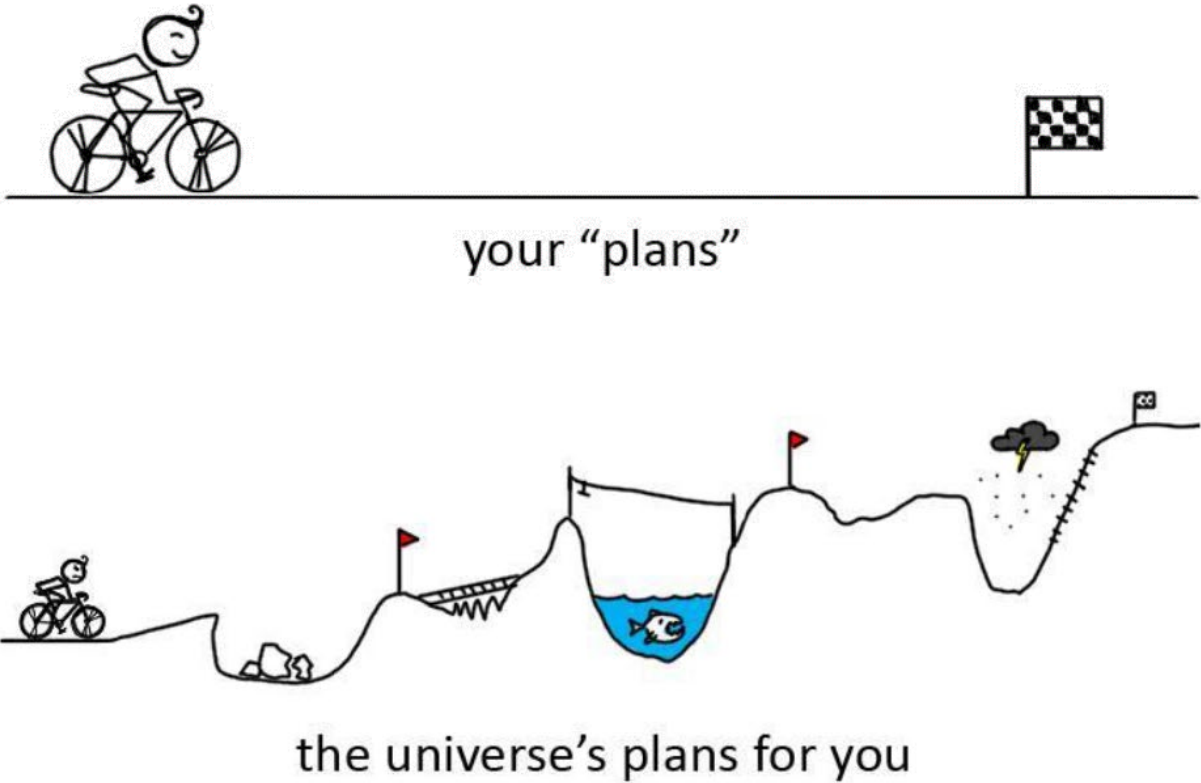
Reference document: E/ICEF/2024/8

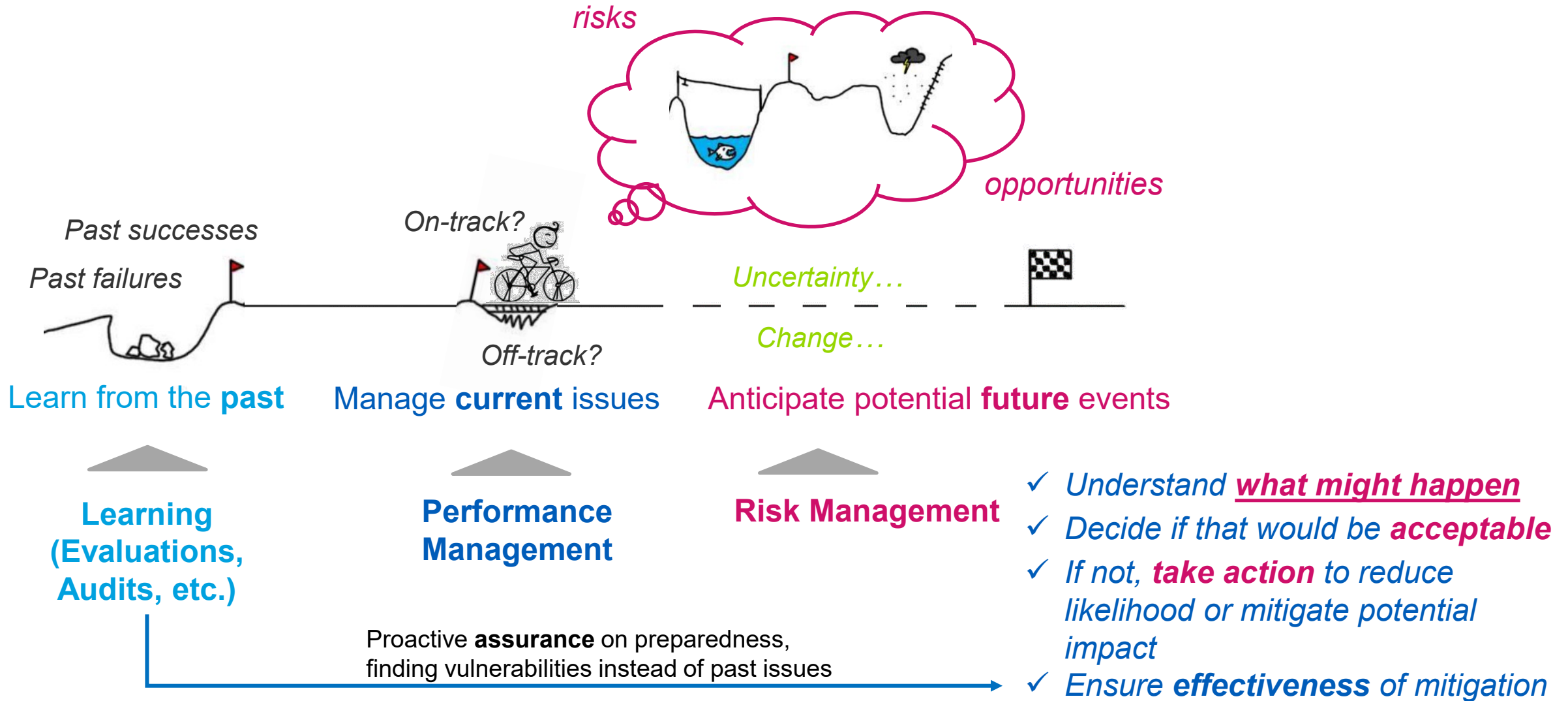# The need for risk management: anticipating what might happen

- **Scale, range and complexity** of UNICEF programmes and operations have increased with ambitious SDGs and surge in humanitarian needs

- **Unpredictable and volatile world** increasingly facing (geo)political divides, conflict, natural disasters and economic uncertainty

- UNICEF needs to be able to **safely face risks** and **confidently take risks** to achieve its mission and deliver results for children

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How to think about risk

your "plans"

the universe's plans for you

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Managing our way to success

risks

opportunities

Past successes

Past failures

On-track?

Off-track?

Uncertainty…

Change…

Learn from the **past**

Manage **current** issues

Anticipate potential **future** events

Learning (Evaluations, Audits, etc.)

Performance Management

Risk Management

Proactive **assurance** on preparedness, finding vulnerabilities instead of past issues

✓ Understand **what might happen**

✓ Decide if that would be **acceptable**

✓ If not, **take action** to reduce likelihood or mitigate potential impact

✓ Ensure **effectiveness** of mitigation

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Risk is a fact of life

- Every organization **needs to take risks** to achieve its objectives and, to fulfil its mandate, UNICEF is required to work in risky environments.

- The purpose of risk management is to **enable necessary risk-taking**; it is not about avoiding or eliminating all risks at all costs.

- Risk management aims to optimize potential outcomes, thereby **balancing risks versus rewards** and the costs of mitigation versus the potential benefits.

- Some objectives can only be achieved by taking calculated and carefully managed risks, and **sometimes the greatest risk is inaction**. Some risks can be turned into opportunities when recognized and acted upon early on.
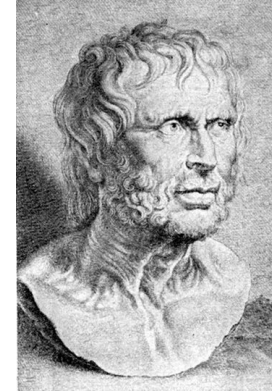
"It is not because things are difficult that we do not dare, it is because we do not dare that they are difficult." – Seneca

"A ship is safe at harbour, but that's not what ships are for." – William G.T. Shedd

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Key concepts in assessing a risk

1. UNDERSTAND   2. ASSESS CURRENT EXPOSURE   3. EVALUATE

Typical causes (risk factors) → Risk (future event) → Potential consequences (on objectives)

LIKELIHOOD   IMPACT

PREVENT   DETECT   REACT

EXISTING MITIGATION/CONTROLS

ASSURANCE ON EFFECTIVENESS
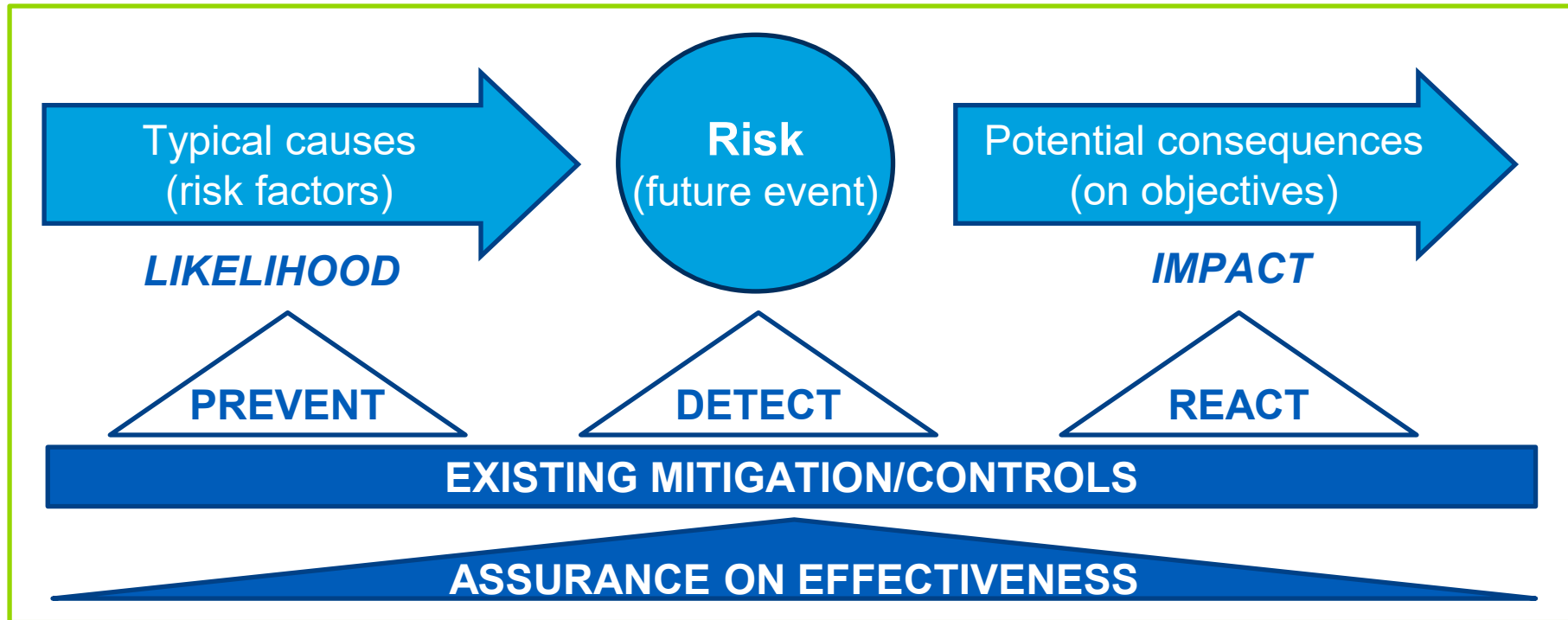
WITHIN RISK APPETITE? FURTHER MITIGATION?

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Various approaches exist, often fragmented across risk areas and business owners

Enterprise risk assessments

Implementing partner risk management

RISK ASSESSMENTS

All civil society partners engaged in programme implementation are subject to due diligence verification and a prevention of sexual exploitation and abuse

THE EMERGENCY PROCEDURES

SIMPLIFIED & STREAMLINED
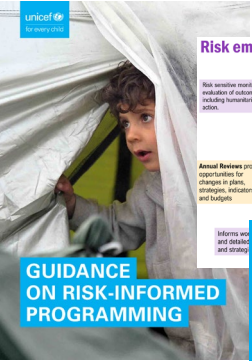FOR EVERY EMERGENCY (L1, L2, L3)

3. **Humanitarian Risk Management**

Risk management in country programmes

Humanitarian cash programming risk management

hope
Humanitarian Cash Operations & Programme Ecosystem

Emergency preparedness and response

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Current state assessment and progress made

01. Enterprise risk management policy framework

- Making it less complex and compliance-oriented, more centred around results for children

02. Organizational structure and governance

- Chief Risk Officer in Office of the Executive Director
- Clarification of roles, governance and capacity needs across the organization
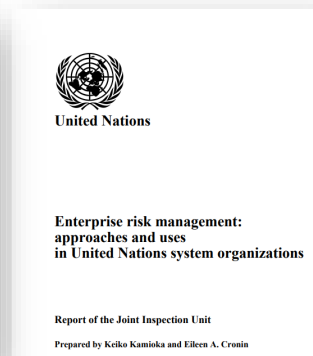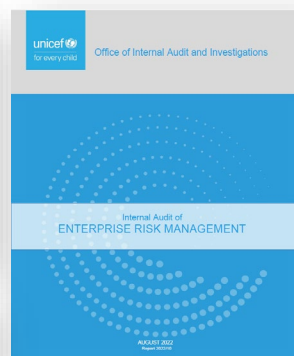
03. Risk culture and capabilities

- Culture of risk aversion and bold risk taking
- Sr. Management Risk Committee reconstituted
- Training, communication and engagement to target risk awareness and calculated risk taking

04. Tools, processes, and integration

- Fragmented risk management practices and unwieldy tools require simplification and harmonization

05. Risk sharing and collaboration

- HLCM Risk Management Forum and inter-agency risk management coordination committees
- Risk Sharing Platform by signatories to the Grand Bargain

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Towards a more integrated and overarching approach

- Based on a revamped vision and implementation plan, an evolved Enterprise Risk Management (ERM) framework will be launched in early 2024.

- The multi-year plan will guide an incremental evolution in risk management maturity and address various recommendations comprehensively.

- The Chief Risk Officer will drive the ERM agenda, working with risk owners and other functions, and will be a clear overarching point of contact on risk for internal and external stakeholders.

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A new vision and implementation strategy

Safely face and confidently take risks required to deliver results for children

- *Risk management to be used as an active management tool to **enable taking the right amount of the right type of risks**, integrated in and informing planning and decision-making*
- *Building a comprehensive and lean system of risk assessment, control and assurance functions working efficiently together based on a **shared understanding of key risks***
- *Becoming a forward-looking organization that **systematically anticipates** potential issues, manages expectations and takes proactive actions to secure success*
- ***Prioritizing** and deprioritizing levels of focus, effort and oversight in line with levels of risk*
- *Fostering an open **culture of risk-awareness** that encourages everybody to flag risks transparently, try out what's worth trying, and learn from failure*

➤ **Make it actionable**   ➤ **Keep it simple**   ➤ **Bridge the siloes**

1. A simplified risk policy and risk framework, centered around results for children	2. Defined top risks for the organization and clarified risk appetite	3. A formalized organizational structure and governance for risk management	4. A positive culture of risk-awareness and strong risk management capabilities	5. Simplified and harmonized tools and processes, integrated into planning and decision-making	6. A collaborative stakeholder and peer environment embracing risk sharing
• Revise key risk policies and procedures • Simplify guidance and taxonomy of risk categories • Align during MTR around results for children	• Strategic risk assessment • Have risk appetite discussions as part of top risks and updated emergency procedures • Capture results in overall risk appetite statement	• Define roles and responsibilities across three lines of defense, and across CO/RO/HQ • Define governance and engagement on risk	• Communication campaign to propagate risk vision and philosophy and update ERM intranet page • Risk analysis support to COs/initiatives and sharing of best practices • Training to target cultural change • Set up risk network and community of practice	• Pilot simplified ERM tools and procedures • Integrate and simplify existing programmatic and operational risk tools • Review operational rules-based risk controls in policies, procedures and processes	• Represent UNICEF in UN Risk Management Forum and other external fora • Engage in risk sharing conversations with stakeholders and donors.

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Thank you.

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