

DOCUMENT TITLE:

Collaborative Risk Management (CRM) for the aid stakeholders of Somalia: Strategy (Part B of A/B/C)

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1 GENERAL FOR THIS DOCUMENT

About this document

This document describes a structured collaborative risk management strategy (SCRM) for the aid organisations operating in Somalia. The elements of the SCRM described within this document comes as a result of the capacity and capability assessments carried out during March 2020,

Basis for this document

This document is based on the conclusions described in the preceding part for this document – i.e. “Collaborative Risk Management (CRM): Capacity and Capability

About the author of this document

Tarald Jarlsen has +25 years of international experience in the areas of operational/program and organizational business risk-position analysis, risk management, implementation of risk management frameworks, and strategy development as well as implementation thereof. On a daily basis, Tarald serves as a *partner* and *principle*

About the readers of this document

The users of this document are the Somalia aid community; covering the spheres of humanitarian, development and peacebuilding activities; which include Government of Somalia, international NGOs, local NGOs, donor organisations, donor countries (via local embassies), UN agencies, and private bodies. The main custodians, Multi-Party Risk Working Group, for

Key definitions

1.1.1.1.1.1 Abbreviations

<i>RM</i>	Risk Management
<i>CRM</i>	Collaborative Risk Management
<i>SCRM</i>	<i>Structured</i> Collaborative Risk Management
<i>SWOT</i>	Strength /Weakness /Opportunity /Threat
<i>UN-RMU</i>	UN Risk Management Unit
<i>CCA</i>	Capacity & Capability Assessment

1.1.1.1.1.2 Terminologies

Below definitions are valid for the context of this document, only.

<i>Collaboration Strategy</i>	Working together to produce something A chosen road map between a current state operation to a chosen future new one.
<i>RM Standard</i>	Documented description of how an international risk management reference standard (ISO 31000 and/or COSO) has been implemented in practice into the organization
<i>RM Framework</i>	Documented description of the main element of the governance processes for risk management.

and the conclusions drawn from there, documented in the report “Collaborative Risk Management (CRM): Capacity and Capability Assessment for the aid stakeholders of Somalia”, issued on the 30-Aug-2020.

Assessment for the aid stakeholders of Somalia”, UN-Risk Management Unit; by JARLSEN, Tarald.

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collaborative risk management are an array of risk working groups (RWG) across the Somali aid community – entities such as UN RWG, SDRF pooled funds (UN/WB/AfDB) Risk Management Group, Trust Fund RWG (SDRF pooled funds). The UN’s Risk Management Unit (UN-RMU) currently has a coordination, advisory and capacity building role across the aid community.

<i>RWG</i>	Risk Working Group
<i>RFP</i>	Risk Focal Points
<i>RBM</i>	Results Based Management
<i>MPRWG</i>	Multi-Party Risk Working Group
<i>TOR</i>	Terms of Reference
<i>KRA/KRI/KRP</i>	Key Risk Areas / Key Risk Indicators / Key Risk Parameters

RM Procedure Detailed description of how to carry out risk analysis and assessment for a particular risk area or subject matter

Risk Policy Description of key premises for risk management of analysis. It should typically contain risk appetites, risk tolerances, key risk areas to be monitored, and give references to other governing risk management practices to be followed.

2 BACKGROUND AND INTRODUCTION

2.1 BACKGROUND (SOMALIA RISK CONTEXT)

The main actors of the Somalia aid community have provided humanitarian and development aid activities across the region for +20 years. The main risk stakeholders are I-NGOs, N-NGOs, donor organisation, UN agencies, Somali government bodies, and private sector and beneficiaries.

Today, from an external surface view of Somalia’s risk context, it is observable an abundant manifestations of weakness of governance, accountability, and rule of law, criminality, independent armed groups; limited access to populations in need, rampant corruption throughout the entire value chain of humanitarian and development funding cycles.

Also, today, from a viewpoint inside the aid organisations operating in Somalia they see individual RM effectiveness needs to be higher in order to combat the indeed one most challenging operation in the world.

The RM practices so far have shown that some of their applied tools and approaches have worked effectively. However, the aid community would benefit from further streamlining RM practices, strategies, systems, procedures, etc.

By default, the primary risk categories, and sequence priorities, within this community are:

- i) *Contextual risks* (Somalia-on-the ground-risks).
- ii) *Program risks* (Strategy execution, Governance and Control of funding of programs and/or initiatives for development, humanitarian, peacebuilding or enhancement, and the efficiency thereof).
- iii) *Institutional risks* (corruption, fiduciary, change agenda, other).

Aid organization in Somalia have externally focused mission objectives – i.e. of aiding the vulnerable people of Somalia. Otherwise their own existence there could not be adequately justified. It follows from that the risk management functions also ought to directly support these objectives, and hence also the risk factors associated with their mission objectives.

This study also reveals that the actual predominant way of prioritising risk management activities is in the reversed order of: *i) institutional risks, ii) program risks, iii) context risks.*

2.2 INTRODUCTION

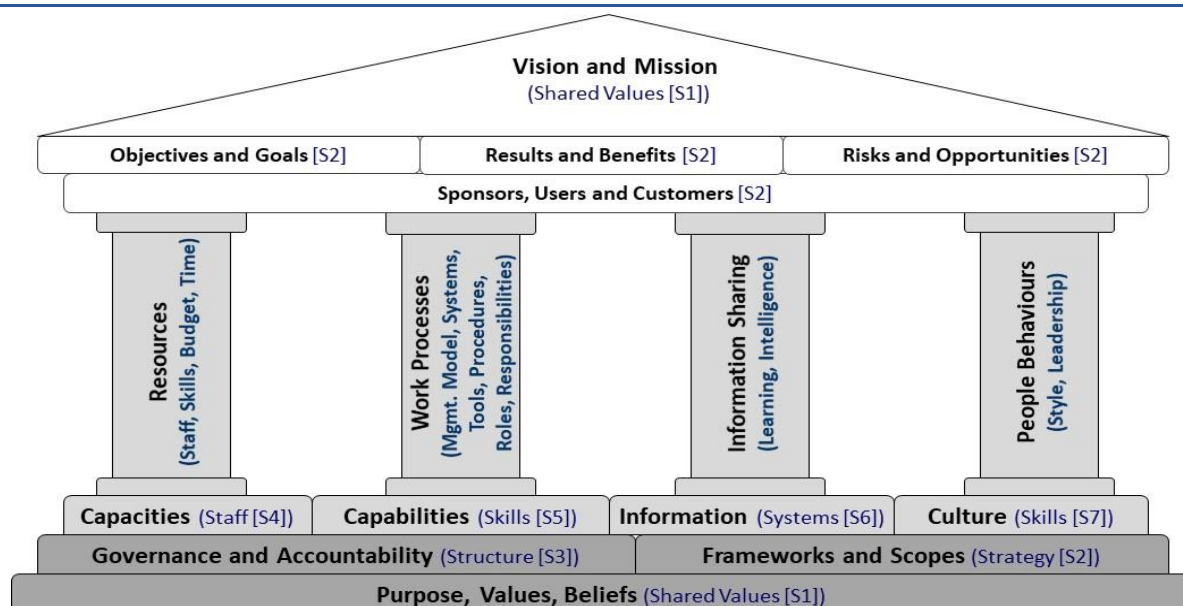


Figure 2.1 – The overall in-principle structure of the collaborative risk management strategy

The overall structure of the collaborative risk management strategy is comparable with the house building project as illustrated by Figure 2.1 - i.e. which was applied during the capacity and capability

assessment. This document will go through these main elements (building blocks), forming a somewhat more detailed collaborative risk management framework – also here termed the

CRM strategy. The overall CRM strategy’s structure comprise of both a set of overarching (white shaded) and foundational elements (dark shaded), and in between those, the main bulk of the strategy

represented by the four main pillars for it (grey shaded). A high-level tabular short summary of its main elements is also provided by [Table 2.2](#):

	Overarching elements ...of the CRM strategy	Foundational elements ...of CRM strategy	Main pillars ...of the CRM strategy
S1: Shared Values	S1.3: CRM Vision S1.4: CRM Mission	S1.1: CRM Purpose S1.2: CRM Beliefs	
S2: Strategy Elements	S2.1: Results Areas S2.2: Risk Context/KRA S2.3: Scope and Deliverables S2.4: Risk Policy S2.5: Sponsors/Users		
S3: Structural Elements		S3.1: Governance Structure S3.2: Due diligences S3.3: Sponsors S3.4: Funding	
S4: Systems Elements (Processes)			S4.1: Standards S4.2: Principles S4.3: Procedures S4.4: Methods S4.5: Systems S4.6: IT Solution
S5: Staff (Capacity)			S5.1: Roles and Responsibilities S5.2: Staff
S6: Skills (Capabilities)			S6.1: Skills S6.2: Tools S6.3: Competency development plan
S7: Style (Culture)			S7.1: CRM Maturity S7.2: Desired behaviours S7.3: Information sharing

[Table 2.2 – The overall in-principle main element structure of collaborative risk management strategy](#)

The CRM strategy in brief overall generalised words

Primarily, the CRM strategy comprise of the four main pillars, as below:

- i) utilising the existing capacities within the CRM stakeholders’ organizations to bring about positive changes in terms of.
- ii) increased sharing of key risk related information across the CRM partners.
- iii) enhancing the risk culture towards some desired behaviours relating to risk management.
- iv) allow this CRM strategy to act complementary to the CRM parties existing systems

Secondarily, these main pillars shall be based on a set of common CRM purpose, values, and beliefs, as

well as a consensus CRM governance structure and framework.

Thirdly, these main pillars shall generate the desired outcomes in terms vision, mission, objectives and results for its defined users and sponsors.

The remainder of this documents elaborated on these strategy elements (S1 to S7) as shown by Figure 2.1 and Table 2.2.

2.3 PREMISES, ASSUMPTION AND CRITICAL ISSUES ...FOR THE DEVELOPMENT OF THE CRM'S VISION, MISSION AND STRATEGY

2.3.1 Premises

The following premises follow as a result of the capacity and capability assessments:

1st premise

The Somalia contextual, programmatic, and institutional risk exposures are not only predominantly severe, complex and inter-dependent on multiples of risk items forming networks of dynamic risk items; but are also largely shared among the actors within the aid community for Somalia. Therefore, the CRM approach needs to cause robustness, flexibility, intelligence gathering, generative culture and make use of the existing resources in an optimum way.

2nd premise

The Somalia aid community is much influenced by the lack of trust amongst the risk stakeholders of Somalia, as evident by the predominant culture/character of unwillingness to share information among the community. Therefore, the CRM approach needs to cause a business environment of factuality, impartiality, and independence. Also, have sufficient capacity and capability to produce advanced risk analysis of emerging risks on time, produce risk reports that are relevant enough to influence senior management's decisions, and produce highly relevant services to its clients so that the users of the CRM better understand the real risk exposures.

3rd premise

The CRM program is not to be governed by any overall formal steering committee that oversees the implementation beyond that of the existing in-placing meeting forums. So, it is being governed by a semi-formal meeting forum. The best available candidates for this are the MPRWG (coordinated by UN Somalia's RMU), and the NGO Consortium. This author recommends establishing a hybrid of these two forums.

4th premise

The CRM forum itself are not expected to produce risk reports, but the users of the CRM strategy are. The CRM Forum aims to set the common ground and understanding of risk management, share best practices and develop learning packages customized for users' needs.

5th premise

The CRM program operates without any independent dedicated budget, but the CRM Forum are funded by the CRM stakeholders' participation in the regular collaboration meetings.

2.3.2 Assumptions

The following assumptions follow as a result of the capacity and capability assessments:

1st assumption

Clearly, it follows from the 1st and 2nd premises that the CRM approach needs to be sufficiently empowered in terms of tools and methodologies to meet such demands.

2nd assumption

The CRM strategy must provide added value in terms of strategic country level risk advisory. That is the CRM strategy approach shall handle all types of risks (Financial management, Fiduciary & Accounting,

Program execution, Contractual, Logistics, IT, Data, Legal, Safety, Security, Quality, Environment, Service production, Political, Governance, Managerial & Leadership, and more).

3rd assumption

The CRM strategy does not form part of any formal line of defines of any of the CRM part-takers (i.e. 1st / 2nd / 3rd) [Operational, Management, Strategic], but rather serves as complementary support to all the three of them. It needs to strictly act with impartiality.

2.3.3 Pre-conditions / Constraints

The following pre-conditions have been imposed onto the works for the development of the CRM strategy:

1st Pre-conditions

The CRM approach shall be formed by making use of the existing resources, only – i.e. no new resources to be added to it.

2nd Pre-conditions

The CRM approach shall be formed by making use of the existing organisations, only – i.e. no new organisations, teams, working group to be added to the Somalia aid community.

2.3.4 Critical Issues**1st critical issue**

The sponsor of this document, UN-RMU, does not recommend to harmonize the risk management standards and/or cause a change within the individual CRM participants' systems but rather having a common understanding on the risk management, serving as an enabler for a collective collaborative approach and that such is based on commonly recognised international standards such as ISO 31000 and COSO. The CRM strategy shall be complementary to whatever the different organisations have in place. Should the different organisations choose to cause a change', then it is at their discretion.

2nd critical issue

Some minimum level of working together in terms of sharing amongst each other roles, services, information, resources, etc. would be needed as part

of a sustained collective effort over long time. For example, in order to get onto the leading side of the risk-positions, and due to the severity, complexity and interdependent nature of such common risk-positions, some form of shared risk analysis centre of excellence would be needed. Anything less than that would not lead to success for the Somalia aid community's risk management, the author views. The author holds this view since the true risk exposure for Somalia is comprised of networked interactions of multiple risks acting simultaneously and are typically complex to correctly understand. Such require building up risk intelligence over time. It follows from that, that effective risk management hinges on building integrated risk case models of the various risk-positions and let such semi-intelligent risk case models grow organically over time. The capability of Bayesian network models would be needed for such.

3 THE CRM STRATEGY

This section fulfils the strategy elements as laid out in Table 2.2 and depicted by Figure 2.1 (S1-7)

3.1 SHARED VALUES [S1]

Beliefs • Purpose • Vision • Mission

3.1.1 Beliefs [S1.1]

The CRM stakeholders believe that the establishing of trust is essential to overcome situations of severe, complex and highly uncertain risk cases, and that such is gained through the continual collection and dissemination of unbiased fact-based information,

producing impartial added knowledge/intelligence. Hence, we embrace sharing of information to foster positive change and transformations for all.

Our beliefs produce our purpose, below.

3.1.2 Purpose [S1.2]

The overall purpose of CRM is primarily to increase efficiency and effectiveness of aid delivery within the risk context in which the programme and projects are implemented. A further secondary purpose is to unlock opportunities for better prioritisation and balancing of the humanitarian and development aid efforts into areas where such is most needed (i.e. risk

based approach). A subordinate purpose is therefore to foster enhanced understating of the true risk exposures within defined key result areas, serving both strategy and operations.

Our purpose produces our vision (what we want), below.

3.1.3 Vision [S1.3]

CRM's stakeholders envision to foster a higher and generative risk aware culture and practices among the Somalia aid organisations' existing capacities, yielding higher added values to the humanitarian and development aid activities, thereby significantly contributes to the achievement of key mission objectives for each of the results areas. We foresee

such a CRM approach to bring about to the stakeholder's key knowledge of early warnings of their common risk-positions.

Our vision is the driver to our mission (what we do), below.

3.1.4 Mission [S1.4]

The CRM stakeholders have a wide array of complex risk-positions that are typically multi-dimensional, multi-level, multi-interdependent. Hence, effective risk management and higher risk-intelligences are central for overcoming the dire humanitarian and development challenges in Somalia, as well as enhance credibility to deliver crucial humanitarian and development to the most vulnerable people. Therefore, the CRM's mission is to bring about a set

of services that elevates the risk management practices for its users – including cost-effective identification, assessment, and management of Somalia's severe, complex, and interdependent risk exposures that relates to the humanitarian and development activities on-the-ground contexts.

Our mission is the basis for our strategy (what we plan to do), below

3.2 STRATEGY [S2]

Results Areas • Risk Context/KRA • Scope and Deliverables • Risk Policy • Sponsors/Funding/Users

3.2.1 Key Results Areas (Risk Focus Areas) [S2.1]

Risk focus areas that are supportive of the reaching of the mission objectives. The CRM strategy shall focus its efforts on the risk exposures at hand. That is, *key risk areas* that emulates the overall mission

objectives / *key results areas* - covering the Somalia contextual, programmatic, and institutional risks – so that it becomes supportive to the achievement of the aid community's overall set mission objectives.

The CRM strategy shall therefore be supportive of the Somalia National Development Plan 2020-24 [x], as well as all UN Strategic plans do include in the results framework’s outcomes, outputs, key indicators; set out some strategic pillars for the humanitarian interventions and the development priorities, which are:

- 1) **Economic Development:** *A nation whose citizens enjoy sustained economic growth and reduced poverty levels;*
- 2) **Infrastructure Development:** *A nation with an advanced infrastructure network that facilitates economic and social development;*
- 3) **Good Governance:** *A society where the rights of citizens are protected by democratic, transparent, accountable, and efficient public institutions;*
- 4) **Social Development:** *A caring society meeting the basic social needs of its members;*
- 5) **Environment Protection:** *A state with a healthy and well-managed environment that is productive and sustainable.*

Further, as these strategic pillars of NDP are aligned with UN Sustainable Development Goals (SDG) of 2020. Hence, the CRM strategy shall support UN’s Sustainable Development Goals, aimed at transforming the world, as follows:

- GOAL 01: No Poverty
- GOAL 02: Zero Hunger
- GOAL 03: Good Health and Well-being
- GOAL 04: Quality Education
- GOAL 05: Gender Equality
- GOAL 06: Clean Water and Sanitation
- GOAL 07: Affordable and Clean Energy
- GOAL 08: Decent Work and Economic Growth
- GOAL 09: Industry, Innovation, and Infrastructure
- GOAL 10: Reduced Inequality
- GOAL 11: Sustainable Cities and Communities
- GOAL 12: Responsible Consumption and Production
- GOAL 13: Climate Action
- GOAL 14: Life Below Water
- GOAL 15: Life on Land
- GOAL 16: Peace and Justice Strong Institutions
- GOAL 17: Partnerships to achieve the Goal

3.2.2 Risk Context / Key Risk Areas (KRA) / Key Risk Indicators (KRI) / Key Risk Parameters (KRP) [S2.2]

The CRM strategy shall stay focused on the *key risk areas (KRA)*, broken down into *key risk indicators (KRI)*, further broken down into *key risk parameters (KRP)*, reflecting the *mission result areas*, for the overall monitoring of the accumulated risk positions related the mission objectives. The UN Somalia Humanitarian Response Plan 2020 [x] and UN strategic plans have all produced results frameworks with outcomes, outputs, key risk indicators, key risk performance indicators, etc. for their projects. Such serves as examples but should be further developed to reflect the full scope of the CRM strategy. The CRM approach shall reflect the common key results areas of donors, UN agencies, NGOs, Implementation Partners and Somalia government agencies. [Table 3.1](#) serves as an interim version and

example (non-exhaustive) set of Key Risk Areas (KRA), Key Risk Indicators (KRI) and Key Risk Parameters (KRP) that the CRM strategy needs to gather risk intelligence about, thereby linking the CRM strategy to the overall strategic mission objectives for Somalia. These risk focus areas should ideally follow the overall prioritised humanitarian and/or development focus. However, it does not necessarily have to follow such breakdown structure – i.e. if it is unsuitable for the effective operability of the CRM efforts. The main purpose of such set of KRA/KRI/KRP is to impart categories on the types of risk analysis methodologies for the various risk subject matter areas being applied, as well as focus the intelligence gathering and risk case analysis.

KRA/KRI/KRP

KRA	KRI	KRP
1 Economic Development: A nation whose citizens enjoy sustained economic growth and reduced poverty levels	1.1	Agriculture
	1.2	Livestock / Fisheries
	1.3	Trade
	1.4	Financial Services
	1.5	Tourism
	1.6	Manufacturing
	1.7	Mining / Extractives

		1.8	Investments		
		1.9	Diaspora		
2	Infra-structure Development: A nation with an advanced infrastructure network that facilitates economic and social development	2.1	Construction		
		2.2	Real estate		
		2.3	Transportation		
		3.4	ICT		
3	Governance Development: A society where the rights of citizens are protected by democratic, transparent, accountable and efficient public institutions	3.1	Security / Rule of Law	<i>Security, justice and human rights to ensure the effective administration / management of fair access to justice in an equitable manner</i>	
		3.2	Democratization and Decentralization	<i>Participatory and inclusive governance and service delivery</i>	
		3.3	Public Resource	<i>Creation and the enabling of environment for economic development</i>	
		3.4	International Cooperation	<i>Enhancement of foreign relations and cooperation development</i>	
4	Social Development: A caring society meeting the basic social needs of its members	4.1	Protection of civilians	4.1.1	<i>Access to/awareness of referral services for survivors of protection incidents (ex. GBV, child protection, Explosive Hazards)</i>
				4.1.2	<i>Communities are forced to leave their place of residence to access humanitarian assistance (humanitarian assistance as pull factor)</i>
		4.2	Exclusion and marginalization	4.2.1	<i>Members of marginalized community's/ minority groups are not included in consultations and/or are excluded from humanitarian services/assistance</i>
				4.2.2	<i>Women, girls, and boys are not included in consultations and decision-making processes</i>
		4.3	Interference of external stakeholders in impartial and needs-based selection of beneficiaries	4.3.1	<i>Protection concerns stemming from displacement</i>
				4.3.2	<i>Exposure of women and girls to sexual violence, including sexual exploitation and abuse in relation to access to humanitarian assistance.</i>
				4.3.3	<i>Exposure of displaced women and girls to sexual violence, caused by living in highly insecure settlements, distance to and location of humanitarian assistance and services</i>
				4.3.4	<i>Delivery of humanitarian assistance affects peaceful coexistence and spark intercommunity conflict over access to resources</i>
		4.4	Protection mainstreaming	4.4.1	<i>Risk of dispute on land ownership/land tenure in targeted project areas</i>
				4.4.2	<i>Beneficiaries risk exposure to violence during registration/ distribution</i>
				4.4.3	<i>Forced taxation/extortion or theft of humanitarian assistance</i>
				4.4.4	<i>Barriers for beneficiaries to report concerns through complaint and feedback mechanisms</i>
5	Humanitarian: A human right based	5.1	Humanitarian	5.1.1	Displaced people
				5.1.2	Shelter and homes

6	Environment Protection: A state with a healthy and well managed environment that is productive and sustainable	6.1	Nature	Plants, forest reserves and wildlife.
		6.2	Nature protection	Deforestation and desertification
		6.3	Natural disasters risk management	Preparedness (draught, floods, epidemics, swarms)
		6.4	Healthy water	Availability and accessibility to water in a sustainable and equitable way for all different types of uses, in a manner that is environmentally safe.
		6.5	Marine resources	Proper conservation, management, and optimum utilization of living marine resources
		6.6	Energy	Sustainable energy production with minimized negative environmental impacts
		6.7	Food production	Sustainable livestock production with minimized negative environmental impacts
		6.8	Waste handling	Adequate duties and responsibilities of waste collection and management

Table 3.1 – CRM’s KRA • KRI • KRP

Example of Key Risk Parameters (KPP)

Table 2.1 serves as an example of risk-position can be monitored and how risk tolerance levels can be related to mission objectives.

#	STRATEGIC OBJECTIVE	PEOPLE IN NEED	PEOPLE TARGETED
S01	Prevalence of acute malnutrition and health needs affecting more than 1.8 million people reduced by the end of 2020	2.4 M	1.8 M
S02	Enable 3 million people, including 2.1 million non-IDPs and 1.4 million IDPs in 74 districts to meet their basic needs by end-2020	5.2 M	3 M
S03	Strengthen the protection of the right to safety and dignity of 3 million people, including 540,000 women, 900,000 girls, 520,000 men and 1.05 million boys affected by conflict and climatic shocks	3.7 M	3 M
S04	Enhance the capacity of 1.3 million people in 74 districts to cope with significant shocks through the construction of transitional and permanent shelters, rehabilitation and restoration of productive assets; enhance livelihood strategies and disaster preparedness	5.2 M	1.3 M

Table 2.1 – UN Somalia Humanitarian Response Strategic Objectives

3.2.3 Scope and Deliverables [S2.3]

The CRM strategy approach shall achieve its purpose by fostering and enabling of a set of key risk management services, typified here below:

- a Project/Program risk management support services (risk identification, assessments, coordination support, manageability, controls design)
- b On-demand risk case analysis services of contextual, programmatic, and institutional risk exposures
- c 3rd party risk-based services
- d Web based support services (standard reports, specific reports)

e Risk management implementation services (training, procedures review, tools, and systems support, etc.)

f Expert services:

- ✓ (risk-scenario stress testing of projects, financials, strategic, organisational, objectives)
- ✓ Contextual risk-scenario modelling (operations readiness, emergency preparedness, etc.)
- ✓ Stakeholder risk-scenario estimates (local partners, international partners, partnership models, etc.)
- ✓ Risk vs Opportunity position relative to strategic organisational or program objectives
- ✓ Territorial risk map updates (as exemplified by [Figure 3.2](#)). Hence, the success of such depends on the availability of the collaboration resources who have developed some speciality.

g Results Based Management (RBM):

- ✓ Results based management is already implemented among most of the dominating UN organisations within the UN. As such generally seeks to shift decision-making processes related to planning away from short-term populist/ideological foundations over to being evidence based, it then serves as a good fit with this CRM strategy. This is the RM shall support the combatting real concrete problems (risks) rather than give in to short-

term construed pressures aimed at tackling symptoms instead of causes.

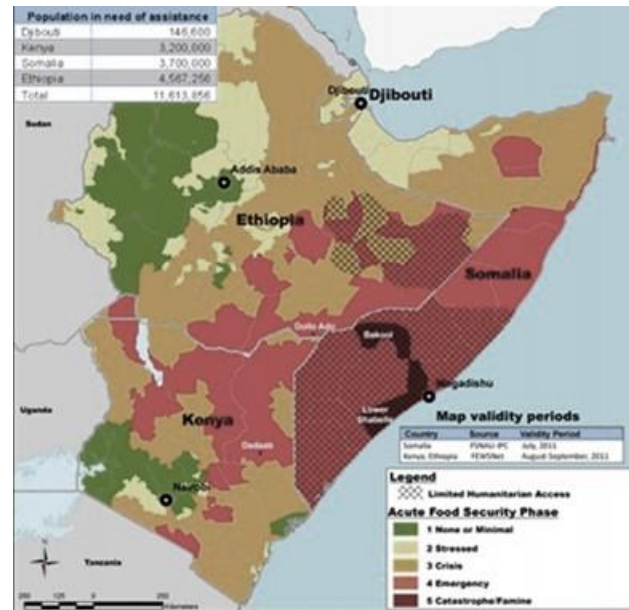


Figure 3.2 – Sample dynamic risk maps

Expectations

- 1 Streamlined risk management processes, principles, standards, methods, and systems for the collaborative parties.
- 2 Aligned risk management roles and responsibilities for the collaborative parties.
- 3 Coordinated risk management capacity development programmes for the collaborative parties and capability development for tools, etc.
- 4 Consensus risk management culture and maturity enhancement program – including information sharing.

3.2.4 Risk Policy [S2.4]

Implementation of a risk policy is always a standard element of the implementation of any type of risk management frameworks. As any risk management approach is dependent on a pre-defined risk policy – therefore so also for CRM. This is so since the starting point for any risk management process is to first make a conscious choice of how much risk can be accepted. It is the risk policy that defines such levels of prudence and tolerances – for the various risk types and categories. For certain risks types, such as health, safety and environment, such risk policy is in many cases legal requirements. Therefore, a risk policy can only be developed in close workings with the organization's top management as such parameters not only needs to be quantified but also need to be validated in terms of the organizations real financial capacity to take risks. Only top management can know these “pain points”.

Not only must it be addressed but is also a critical success factor. The risk policy addresses several overall factors. The minimum is: i) levels of risk tolerances and prudence; and ii) key terms of references for the risk management approach. For practical reasons, these items are incorporated within the CRM Implementation Plan (Document Part C). That is so because risk tolerances and prudence (appetites) would have to be developed for the various impact categories for each of the key risk areas (KRA) (Table 3.2). Such again depends on having in-place common risk metrics for it, which can only be implemented by the CRM implementers – i.e. cannot be planned beforehand.

Risk Tolerances, Appetite, Metrics, Matrix

However, in a general brief about risk appetites and tolerance:

- Risk appetites needs to be based on the organizations overall capacity to take risk, which can only be assessed by consulting the top management.
- Risk tolerances have to be derived based on the risk appetites.
- The risk matrix colour palette ought to be one and the same – fixed for all risk assessments for all participants, all types of risks.
- The likelihood dimension needs to be fixed and standardised for all purposes.
- The impact dimension needs to be a variable for all categories and types. Scales of impacts have to

be curve-fitted for each KRA/KRI/KRP. In carrying out such impact-scaling exercise, one would need to determine the meaning of “red”, “amber”, “yellow” and “green” for each impact type.

Terms of Reference for Risk Management

It is the CRM’s risk policy to follow the risk management principles as they are set out in the two international recognised standards, ISO 31000 and COSO. Again, the document Part C, CRM Implementation Plan described such details. However, a brief overview of the main elements of that is as illustrated and described under Appendix A of this document.

3.2.5 Sponsors, Users and Clients [S2.5]

Sponsors and funding

The CRM strategy approach is based on being without any dedicated financial sponsors of it. The strategy is funded by CRM participating organisations by their own participation of the Risk Working Groups. As a comparison, the UNRWG (currently called *Risk Management, Accountability and Quality Assurance Working Group (RMAQA-WG)*) does not receive any special funding rather than brings together UN risk and compliance focal points to collectively discuss, coordinate, share information, collaborate, share experiences on common partners, undertake joint activities, apply common approaches and harmonize as appropriate. The functions of the MPRWG would be similar as the above and beyond to make sure that the agreed implementation plan on the CRM strategy is monitored and implemented, including the capacity

building of the participating organisations and beyond. However, the CRM strategy depends on its participants to variable degree contribute to this collective effort by sharing information and participate in key meetings and discussions. These practices are complementary, and no member fees is expected to be paid. No payable services are expected to be provided, including training, risk analysis etc.

Users and Clients

The main users are typically: a) Risk managers / officers / coordinators / analysts / specialists; b) Compliance managers/officers/coordinators; c) Business continuity managers / officers /coordinators; d) Internal auditors; e) General managers; f) Risk committees; g) Board of directors. All users of the offered CRM approach are also CRM clients, but not all CRM clients are CRM users.

3.3 STRUCTURE [S3]

Risk stakeholders • Governing structures

3.3.1 The risk stakeholders [S3.1]

The collaborating risk stakeholders are:

- i) the Multi-Party Risk Working Group (MPRWG), coordinated by UN’s RMU,
- ii) the NGO Consortium, currently without a dedicated RWG,
- iii) the Federal Government of Somalia, and
- iv) the limited scope to the pooled funds, only: SDRF’s Joint Risk Management Strategy (JRMS) (for UN’s MPTF, WB UN MPF, AfDB’s SIF

(Somalia Infrastructure Fund), aiming to implement CRM across the aid actors.

Hence, the CRM Forum in [Figure 3.3](#) ought to comprise of MPRWG, representing the NGOs international and national, the UN, donors, and the Government. Therefore, the representatives from each group bring the opinion, the expertise, and the contribution of their respective constituency.

3.3.2 Governing structures and funding [S3.2]

The collaborating parties needs to work under a voluntary contribution basis, which is reflected n the CRM governance structure shown by [Figure 3.3](#).

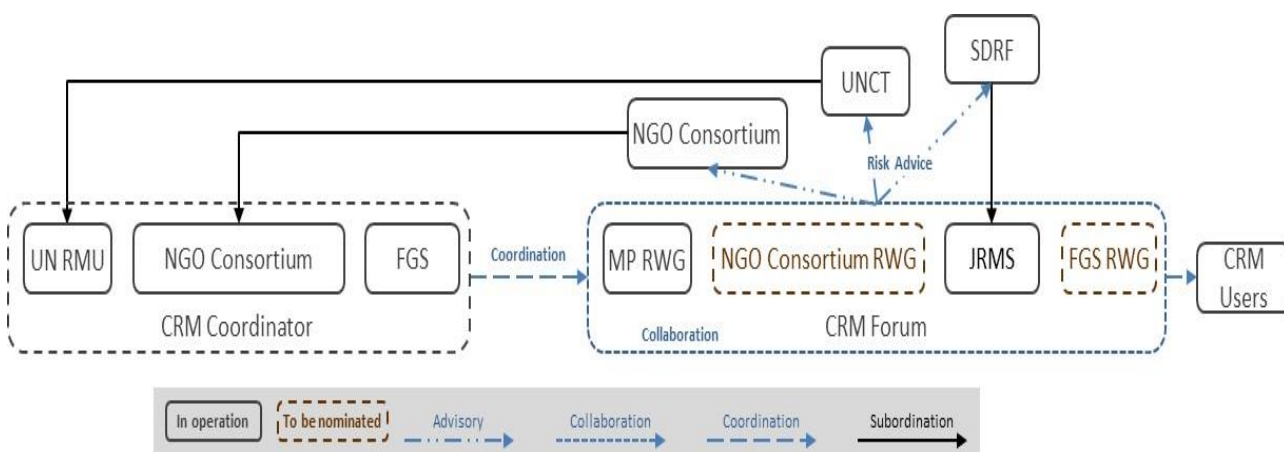


Figure 3.3 – CRM Governance Structure

The CRM Forum’s main objective

It has been said by some CRM stakeholders that the CRM Forum’s primary objective would be to simply promote a consensus collective risk management practice among the Somalia aid community, only. Although, this is a good and valid objective, it would not alone be sufficient to overcome the risk management challenges of Somalia. The CRM Forum needs also at least, but not limited to, focus on three main risk categories; a) Governance and Strategy (Institutional), b) Contextual, and c) Programme & Operations – including maintain dashboard of KRA/KRI/KRP (as shown above). That is, gather risk intelligence of the various risk positions, and provide risk advisory accordingly. It is crucial that the CRM Forum succeeds in adding value to the Somali Aid community by supporting/producing risk reports of relevance of the collaborating party’s senior management.

The CRM Forum Coordinator

Due to the above-mentioned strategic premises for the CRM, and with the given risk stakeholders, the only available logical way of driving the CRM Forum would be to let the CRM Forum Coordinator be elected by the parties on an annual basis. Hence, the CRM Coordinator operates on rotational basis, accordingly.

Meeting and Coordination

Under normal operating conditions, the CRM Forum meets on a 2-monthly basis. However, if severe re risk positions are being exhausted (e.g. COVIT-19), the forum should convene monthly.

All meetings should be chaired by the elected CRM Coordinator.

CRM Forum Charter

It is recommended that the parties to the CRM Forum develops a formal charter for it. As comparison for that, would be the NGO Consortium’s charter.

3.4 CAPACITIES/STAFF [S4]

Staff • Roles and responsibilities

3.4.1 Staff [S4.1]

The available staff within the CRM stakeholder organizations are indicted in the CRM Capacity and Capability Assessment (Document Part A). In brief, the most resourceful organisations – pertaining to risk management – i.e. have at maximum one full time dedicated Risk Manager or Risk Coordinator – this, with exception of the UN Somalia’s Risk Management Unit (RMU) who has one risk manager and two risk analysts plus 6 other professional and support staff to the unit. The CRM Forum is without any full- or part-time dedicated staff. It is purely a collaboration meeting forum were the CRM

participants come together on a 2-monthly basis to share risk information, discuss specific risk-positions, and discussed the effectiveness of the various risk management approaches. However, the CRM Forum has a formally appointed CRM Coordinator who works for the collaborative forum on a voluntary sponsored basis. The participants of the CRM Forum are the Risk managers and/or coordinators within the respective member organizations. As of today, such a role is sponsored by the UN’s RMU.

CRM capacity building

Joint contribution to CRM capacity building, common platform, common tools, common

objectives in addressing risk management matters, common approaches whenever possible all to be achieved on consensus basis – and not enforced.

3.4.2 Roles and Responsibilities [S4.2]**CRM Forum Coordinator**

On a continual basis, the CRM Forum Coordinator are responsible for:

- Prepare the 2-monthly meeting agendas
- Chair the 2-monthly meetings
- Ensure that the CRM prepares write-up of risk profile reports and disseminate such reports to the CRM users and management
- Promotes the CRM strategy to its members and lead discussions to the various obstacles to its implementation
- Promotes the establishing of subject matter specific / thematic risk working groups that could support the CRM Forum with risk analysis works that relates to the various risk focus areas.

CRM Forum Members

On a continual basis, the CRM Forum Participants are responsible for:

- sharing with the CRM Forum relevant risk information such as common risk-positions at hand and effectiveness of risk management practices.
- Promote effectiveness of risk controls and share experiences pertaining to risk manageability.
- Promote the CRM agenda to other Somalia aid stakeholders.
- Contribute to risk management discussions
- Share information with the respective groups/organisations they are representing
- Undertake consultations with their respective organisations and beyond
- Contribute in the development, enhancement and delivering of the capacity building course materials
- Any other relevant duties as may be necessary
- Provide advice on risk related matters.

3.5 CAPABILITIES/SKILLS [S5]*Key skills • Critical tools***3.5.1 Key skills [S5.1]**

Critical skills that needs to be obtained in order to “get ahead of the risk-curve” are itemised here below:

General Risk Analysis

- ✓ Multi-variate risk-position analysis, risk controls effectiveness analysis, risk barrier analysis, opportunity analysis, uncertainty analysis).
- ✓ Data acquisition / gathering

Subject matter specific risk analysis

Specializations expected to be developed in the areas of: Corruption contextual risks; Fiduciary

contextual risks; Political contextual risks; Business process risks; Environmental contextual risks; Strategy execution risks; Project, Program and Operational risks; Physical Security and Safety risk, IT and Data security risks; Economics and Financial risks, etc.

Risk Management

- ✓ Stakeholder management
- ✓ Risk management leadership / championship
- ✓ Project risk management
- ✓ Risk management framework implementation

3.5.2 Critical tools [S5.2]**Multivariate risk case modelling**

It is crucial that the CRM efforts acquire or develop the capability to analysis multiple interdependent risk-positions. The most obvious tool for that is the Bayesian networks modelling. A figurative illustration is provided by [Figure 3.4a/b](#).

Definition of Bayesian Network: Bayes network, belief network, decision network, Bayes(ian) model or probabilistic directed acyclic graphical model is a probabilistic graphical model (a type of statistical model) that represents a set of multiple variables and their set of conditional dependencies. Bayesian networks are ideal for taking an event that occurred and predicting the

likelihood that any one of several possible known causes was the contributing factor. (Wikipedia)

Anything short of this capability cause a severe hampering of the deeper and accurate understating of the real risk exposures / risk-positions.

Operational risk management

It is key that the CRM efforts acquire the capability to gather risk information - from the people on the ground in Somalia - in accordance with the risk-case models (such as Bayesian models). Hence, better knowing what information to look for – i.e. to build up meaningful representative intelligence – including correctly update the risk-position model.

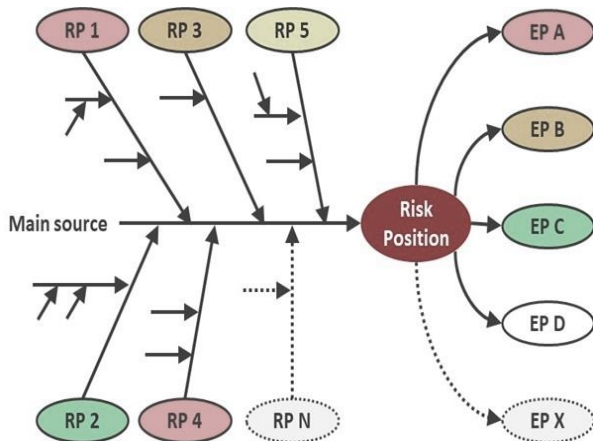


Figure 3.4a – A Bayesian network model -Example A

Tools success factors

- Web-based user shared platform, in which the users can collaborate on information sharing – including online databases repositories and reports.
- Application of effective risk analysis tools to adequately understand emerging risk-positions.
- Implementation and operation of collective risk management tools for program and project risk management.
- Online access discussion forums.

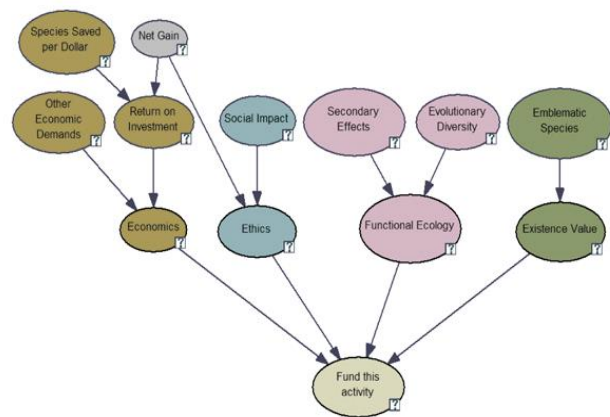


Figure 3.4b – A Bayesian network model -Example B

3.6 SYSTEMS [S6]

RM principles • RM organisational enablers • RM process enablers • Information sharing

3.6.1 General principles for the CRM process [S6.1]

As this document is a strategy document, i.e. not describing in detail the operational and tactical principles of risk management – i.e. such belong under the implementation of risk management processes. Note also that several elements to be implemented cannot be described at this strategy level as they will only be known when the processes are being implemented.

However, in generally, the CRM business processes, information systems, principles, procedures, - methods, systems, tool-solutions, etc. – are to follow the principles as they are described ISO 31000 and COSO. Figure 4.1 under (placed under Appendix

A) provides an overall illustration of the principle of risk mismanagement – developed based on the principles of both COSO and ISO 31000 – i.e. as a hybrid version. The reader would need to study this diagram to correctly interpret the overall structure of the risk management processes and principles, how these interacts to produce the desired risk management results and deliverables.

However, the details of this scheme of risk management forms part of the implementation plan for it – i.e. it can only be fully known when the risk metrics for it has been developed.

3.6.2 Organizational Empowerment Enablers for CRM [S6.2]

Risk management administration

With reference to Figure 3.5, pertaining to picture reference points, “4.2” and “4.3”, these activities

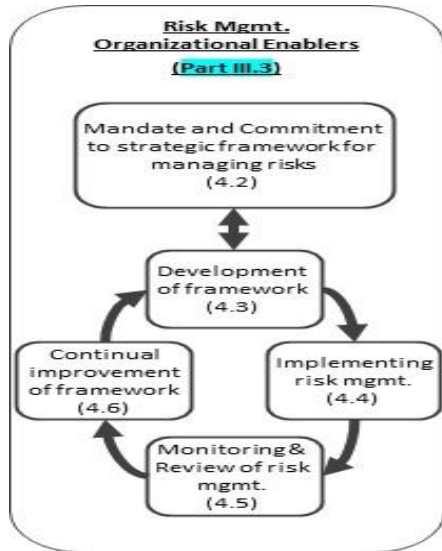
refer to the process of risk management administration and are about setting the level of management commitment to the risk management

processes within the collaborating organizations. This includes:

- i) setting the risk policy – including the top-down cascading such onto the users (see strategy element “S2.4”, above).
- ii) allocating adequate resources for capacity and capability development (see strategy element “S4.1”, above)

Figure 3.5 – Risk Management Administration

- iii) assigning roles and responsibilities for risk management (see strategy element “S4.2”, above).
- iv) drive risk culture enhancement programs – including conduct risk awareness training among the key stakeholders, and (see strategy element “S7”, above).



With reference to Figure 4.1, pertaining to picture reference points, “4.3”, “4.4” and “4.5”, these processes form part of the CRM Implementation Plan, thus are they described within the document, Part C.

3.6.3 RM Process Enablers and Elements [S6.3]

Establishing the risk context

With reference to Figure 3.6, pertaining to picture reference points, “5.3”, establishing the risk context is a typically a neglected step, but crucial for an accurate risk exposure assessment. Correctly (without bias) describing the risk stakeholders, risk environment, assumptions, pre-condition, ownerships, domain, and the key attributes. Typically, to ensure consistency and gathering of minimum perspectives, it is useful to make use of risk assessment template(s) for the recording of risk related information into structured format. Such details can only be worked out during the RM implementation stage.

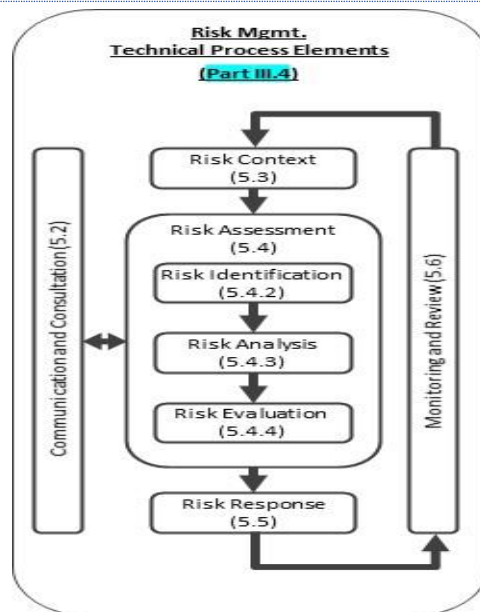


Figure 3.6 – Risk Assessment Process

Establishing the risk exposure

With reference to Figure 3.6, pertaining to picture reference points, “5.4”, only the risk assessor is responsible for identifying the risk position. The importance of this role is often underestimated, as it is crucial to uphold independence and impartiality in assessing the risk exposures. In those numerous cases that a risk manager reports to a director, or to other leading role, it is crucial to know the difference

between a single person's opinion about a specific risk and the actual risk exposure. Therefore, risk identification, analysis, and evaluation need to be carried out in an impartial and independent way. Therefore, as general rule of thumb, two measures are then here necessary: i) application of standard risk assessment templates to ensure that all aspects are being considered; and ii) for the risk analysis participants, segregation of duties with respect to impact assessment, likelihood assessment and assessment of risk manageability / risk controls. These three parameters should not be merged into one single event of analysis / evaluation using the same people. However, this requirement is not absolute as it depends on the level of impartiality and independence has been granted to the risk management function. Operational risk management and/or 1st line of defence, has typically limited independence. Hence, true risk exposure estimations may be difficult to obtain.

Assessment Methodology

The available methodology for risk assessments are very wide and may vary greatly depending on the type of risk, risk context and available tools/expertise for it. Depending on such nature (context, type, information availability, etc.), the Risk Assessor shall choose the most appropriate assessment methodology (workshop, checklist, questionnaire, data estimation, inspection, audit, flowchart, dependability analysis, SWOT, PESTLE, Fault-tree, Cause & Effect, Bow-tie, HAZID/HAZOP, FMECA, Monte-Carlo simulation, Bayesian Network, etc. and so on.

Risk evaluation

For risk evaluation, it is important that the risk managing organization applies one and the same risk matrix for all types of risk and all parties. That is to say: establishes one fixed scheme color palette between the two dimensions of impact and likelihood. And also, keep the likelihood dimension fixed for all as well. Only "impact" is a variable.

3.6.4 Information sharing (from an information system perspective)

In the current volatile and uncertain operating environment, upfront knowledge of what is emerging is essential to succeed in mitigating risk positions.

Highly needed is advanced risk intelligence that can influence the strategic and operational planning. For example, useful is dynamic mapping of real-time information onto the various territories within Somalia – and then be able to combine various risk positions, superimposed onto a common master risk map. For that, is needed a network of shared information, stored in a commonly accessible repository. Then, the CRM participants are enabled to contribute with individual information resources

into it - all covering various aspects of the larger risk exposure profile. The risk coordinator role would be to ensure the information is adequately combined in order to create a higher information value – i.e. higher risk intelligence.

Then, each CRM participant is enabled to identify, for themselves, what information, data and intelligence can be shared with others. Such could typically be whole risk registers or parts thereof, data sets or analysis materials. The CRM Forum will consume the shared materials to form larger integrated and interdependent multivariate risk case understandings.

3.7 CRM CULTURE [S7]

High generative behaviours • risk culture and risk management maturity • Information sharing

3.7.1 High generative behaviours

From common sense intuition we understand that risk management's effectiveness cannot be treated as independent from an organisation's culture. It has a risk culture – or attitude toward risks.

Therefore, the risks facing an organisation should be handled integrated and holistically, as well as with enterprise approach to it [X].

Great progress over the past decade has been achieved in developing practical theory, methods and even tools for understand, measure and shape

desired risk culture within organisations. The UK International Institute of Risk Management have published several significant works on it, including the tools which were applied during this assessment works. The results of this are depicted the document, Part A: CRM Capacity and Capability Assessments.

Considering this, the CRM strategy's implementation includes the releasing of risk culture work package over time - over four stages – as illustrated by [Figure 3.7a](#) and [Figure 3.7b](#), whilst [Table 3.8](#) illustrates

some typical aspects of risk culture, serving as KPI's for such. Such risk culture and risk management maturity programs shall elevate the practices to be more supportive the long-term strategic mission objectives.



Figure 3.7a – IRM's Risk Culture Formation Model

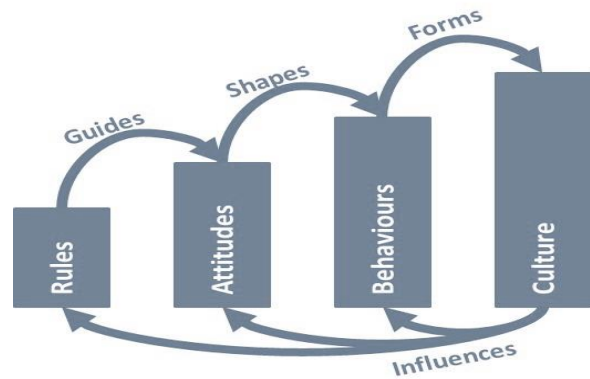


Figure 3.7b – IRM's R-ABC Risk Culture Change Model

3.7.2 Aspects of risk culture and risk management maturity

	3.7.2.1 Leadership
Clarity of direction:	Responding to native information.
<ul style="list-style-type: none"> - SM set clear expectations for RM - Role model RM thinking - Set risk tolerances 	<ul style="list-style-type: none"> - SM actively seek out info on risk events - Recognise staff that are open and unbiased about risks
	3.7.2.2 Governance
Accountability:	Transparency / Information Sharing
<ul style="list-style-type: none"> - SM is clear about their RM accountability - Job roles targets risk accountabilities 	<ul style="list-style-type: none"> - Timely communication of risk information across the organisation - Risk events are seen as opportunities – also to learn
	3.7.2.3 Competency
Empowered resources / RM functions	Embedded competencies / RM skill sets
<ul style="list-style-type: none"> - RM function has a defined remit and has the support of leaders - RM is able to challenge how risks are managed 	<ul style="list-style-type: none"> - A structure of risk champions to support - Training programmes for staff
	3.7.2.4 Decisions
Risk-based decisions / Informed decisions:	Embedded competencies / RM skill sets
<ul style="list-style-type: none"> - Leaders seek out risk info to supporting decision making - Willingness to take risks is understood and communicated 	<ul style="list-style-type: none"> - A structure of risk champions to support - Training programmes for staff

Table 3.8 – IRMs Risk Culture Aspects Model

3.7.3 Information sharing (from a risk culture and risk management maturity perspective)

Considering principles illustrated by Figure 3.7a/b, Table 3.8 and the risk culture and maturity assessment results (as described in Part A: CRM

Capacity and Capability Assessment), it is clear that sharing of information is key pillar and critical success factor for getting on top of the risk exposures

for the Somalia aid community. The first phase of such implementation is to define a set of common principles (rules) that guides the CRM participants in the various aspects of risk management (leadership, governance, competency, and decision making). In this context, considering Figure 3.7a, this change needs to take place at an individual attitude level

that shapes the culture – i.e. forming the desired behaviours as illustrated by Table 3.8.

However, the details of this scheme of risk culture and maturity forms part of the implementation plan for it – i.e. it can only be fully known when the key performance indicators for it have been developed.

4 APPENDIX A – MODEL OF RISK MANAGEMENT PROCESS FRAMEWORK

Figure 4.1 (below) is model representation of the CRM process framework, illustrated the interaction between principles, organisational enablers, process tools and deliverables

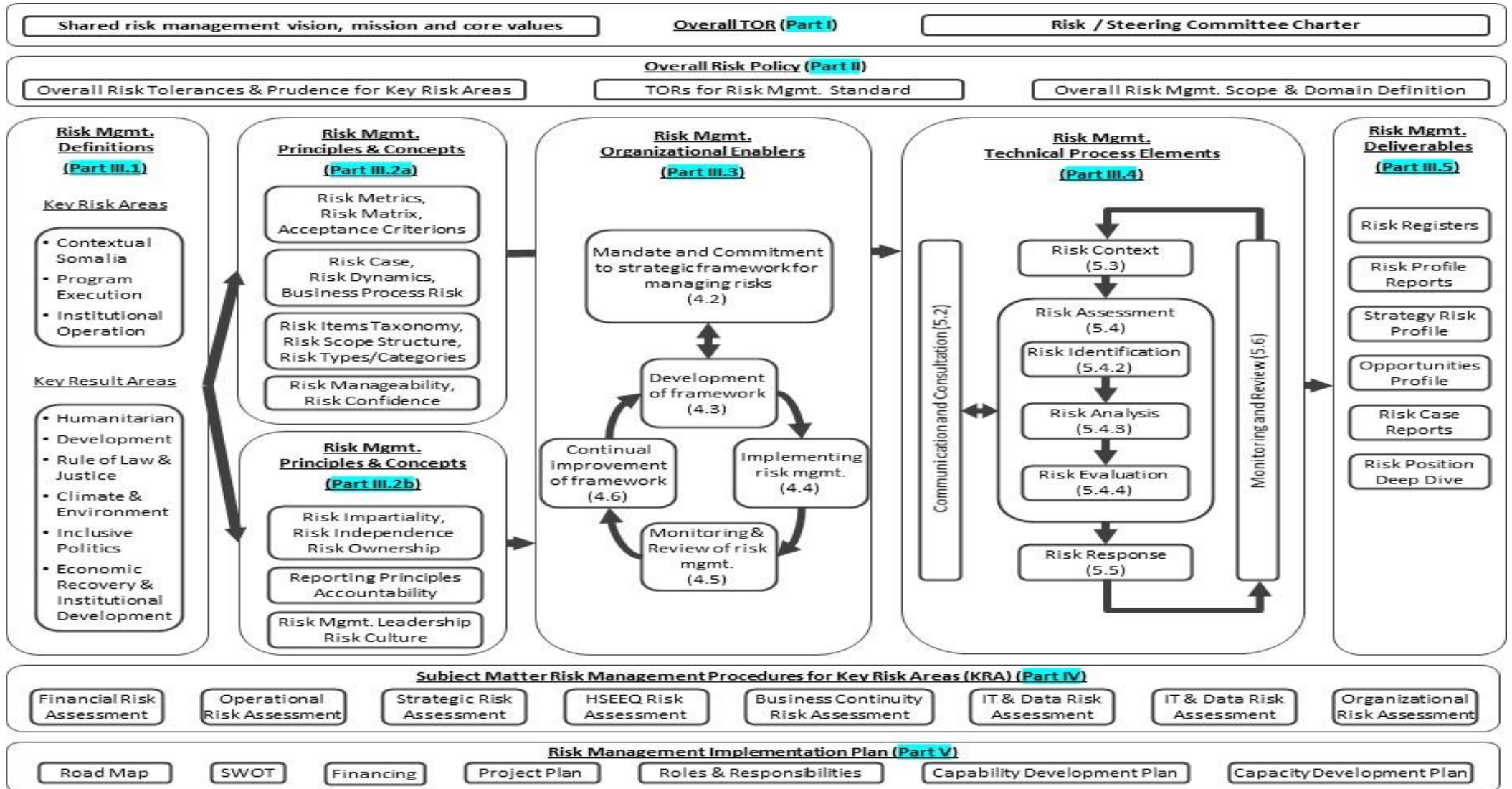


Figure 4.1 - Model of Risk Management Process Framework