





# RISK MANAGEMENT: INTRODUCTION



**Our aim (assumed):** Getting the most out of available IPA resources whilst strictly observing principles of legality & regularity. Fulfilling mission/vision. Creating value(s).

# WHAT IS A RISK?

- “Any event or issue that could occur and adversely impact the achievement of the (IPA) political, strategic and operational objectives. Lost opportunities are also considered as risk”.
- “...a possible threat, an event (or chain of events), activity (or chain of activities) or inactivity that may cause loss of assets or reputation and threaten successful fulfillment of tasks set to the organization.”

# WHAT IS A RISK?

Hence....

## 1. Anticipation first

It may occur/may cause adverse effect...

If undesired event has already occurred/caused adverse effect - it's already a problem.

Emphasis when it comes to risks is anticipation – you anticipate a risk but confront a problem.

## 2. Lost opportunity as a risk

Logic stemming from overarching principle of sound financial management.

## 3. Materialization of a risk will “hurt” (impact)

It's a failure, failure to achieve political, strategic and operational objectives...it causes a loss of assets and/or\* reputation



# WHAT IS A RISK?

„But in all my experience, I have never been in accident...of any sort worth speaking about. I have seen but one vessel in distress in all my years at sea. I never saw a wreck and never have been wrecked nor was I ever in any predicament that threatened to end in disaster of any sort. „

E.J. Smith, Captain

# LIKELIHOOD & IMPACT

## IMPACT (učinak)

- effect of materialization of particular risk
- effect could be positive or negative (RM deals with negative ones)
- can be expressed in quantitative or qualitative terms
- omitting an activity that would result in a positive effect constitutes a risk

# LIKELIHOOD & IMPACT MATRIX +

Likelihood of occurrence	High	3	6	9
	Medium	2	4	6
	Low	1	2	3
	n.a.	Low	Medium	High
		Impact		



# RISK MITIGATION STRATEGIES

## ASSUME/ACCEPT

Acknowledge the existence of a particular risk, and make a deliberate decision to accept it without engaging in special efforts to control it.

## IMPLICATIONS (e.g. control system, organizational objectives etc.)

Usually none - introduction of new/additional controls could be hard to justify.  
In case of materialization of the risk, obligation to remedy negative effects.

# RISK MITIGATION STRATEGIES

## CONTROL/MITIGATE

Implementing actions/measures to minimize the impact or likelihood of the risk.

## IMPLICATIONS (e.g. control system, organizational objectives etc.)

Assuming obligation to effectively implemented mitigation activities/measures, report & monitor statuses.  
Risk management is firmly integrated within all business processes, including control activities.

# RISK IDENTIFICATION TECHNIQUES

## POST MORTEM (UNLEASH WORST SCENARIOS)

### 1. Again, right mix required

Application requires mix of technical experts, risk manager & outsiders joined in risk management panel (RMP).

### 2. Project has abruptly died!

RMP acting as forensic team identifying most likely reasons which have caused unwanted event.

### 3. Turn death causes into risks

Most likely reasons are easily turned into medium/high risks! One can use risk register to record such reasons.

### 4. Structured analysis comes after brainstorming has finished

Risk assessment and formulation of mitigation measures is done separately. This part can follow regular procedure (e.g. using LI matrix/risk register).



# PROJECT LEVEL RISKS

## 1. Building risk management culture is essential for project based organisations

- Risk management firmly integrated with all processes & procedures (e.g. preparation of action documents, planning procurement & disbursement)
- Providing incentives for proactivity

## 2. Always thoroughly check existing information

- Risk could have been identified already at the programming stage
- Project assumptions can be easily converted into risk (risk=negative formulated assumption)
- Check information provided by the tenderers (technical offer, questions & complaints etc.)
- Audit findings (audit of operations)

## 3. Build your own risk catalogue

- risk identification and assessment are getting better with experience
- experience could be conveniently shared through “risk catalogues”

# EU PROJECT PREPARATION FACILITY PROJECT

All documents, information, materials and pictures from this EU PPF training are available for download @ [www.ppf.rs](http://www.ppf.rs) / webpage - DOCUMENTS

## Questions and assistance

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Thank you for your attention!